EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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WORLD NEWS

UK to launch anonymous AIDS testing

Anonymous AIDS screening is to be introduced in Britain in the new year to try to establish how far the disease has spread.

A wide selection of people undergoing blood tests for other reasons will be tested anonymously for HIV antibodies.

Health Minister Virgina Bottomley promised that the test results would not be traceable back to individuals, and patients would have the option of refusing to have their blood tested for HIV.
Page 22

New Lebanese President
Elias Hrawi, a Maronite Christian aged 60, was sworn in as Lebanon's new President. He succeeds Rene Moawad, murdered on Wednesday only 17 days after his appointment. Mr Hrawi pledged to continue efforts to end Lebanon's 14-year civil war.
Page 2

Bomb on Saudi airliner
Explosives were found on a Saudi airliner which made an emergency landing in Karachi after receiving a bomb warning. Two Pakistani passengers were found with a detonator and arrested. The jet, with 343 people on board, was flying from Islamabad to Riyadh.

Thatcher no 'lame duck'
Mrs Thatcher told US television viewers she was no "lame duck" Prime Minister.
Page 22

Father jailed for life
David Hammond, 26, was sentenced to life imprisonment at Bristol Crown Court for murdering his five-year-old daughter, Sukina. He beat her to death because she would not spell her name.

Clarke move on dispute
Health Secretary Kenneth Clarke agreed to a new ambulance pay negotiating body to run parallel with the exisiting Whitley Council. Mr Clarke said he accepted the move because the council excluded the Association of Professional Ambulance Personnel.
Page 4

Trawler capsizes
Two men died when a trawler capsized and sank within a minute off Cornwall. Two others were rescued by another fishing boat.

Branson balloon delayed
Bad weather again foiled businessman Richard Branson's attempt to fly the Pacific in a hot air balloon. Lift-off from southern Japan was aborted because of high winds.

Danish airport chaos
Thousands of travellers were stranded at Copenhagen's Kastrup airport when e walk-out by airport staff grounded flights.

Hunt for drug dealer
Colombian forces searched dense jungle with boats and helicopters in their quest for Pablo Escobar, an alleged drug cartel leader. Escobar had escaped when one of his mansions was stormed by police.

Star tender
Eighteen companies have bid for the right to remove the 1.6 tonne steel red star from the top of Hungary's parliameot building. Three bidders have even offered to pay for the privilege.

NT pudding alert
The National Trust warned that as many as 35,000 Christmas puddings on sale at its shops could be mouldy. The Trust withdrew all puddings from its 200 ontlets in high streets and country houses.

Nestlé said it was recalling some batches of Slender and Build-up powdered drinks after salmonella was found in one sachet.

FT price rise
The price of the Financial Times will rise to 50p on Monday.

BUSINESS SUMMARY

Coats cleared to renew bid for Tootal

Coats Viyella received clearance from the European Commission for its bid for Tootal, its fellow UK textile group. Coats is finalising plans for a new bid, expected to be significantly lower than the original £395m offer in May.

The decision was based on proposals for a common mergers policy yet to be edopted formally. Page 8

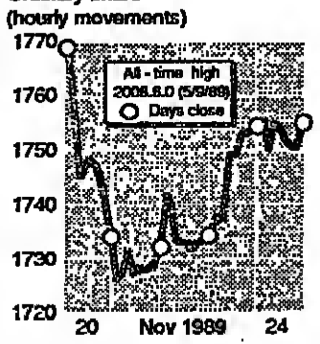
UK ECONOMIC ectivity appears to be continuing its steady decline from the peak of August 1988, according to cyclical indicators from the Central Statistical Office. Page 3

BRITISH-AMERICAN Tobacco, cigarette-making subsidiary of BAT Industries, is to close its factories in Liverpool and Amsterdam and transfer to Southampton and Brussels. Some 476 jobs will be lost in Liverpool. Page 4

BARCLAYS bank agreed to sell its US consumer lending and instalment credit subsidiary for $150m (£96m) to Primerica, a financial services and retailing company. Page 8; Lex, Page 22

UK EQUITIES: Any recovery in confidence in the outlook for share prices was stemmed by continued uneasiness in sterling. The week's nervous trading ground to a close with the FT Ordinary index adding 0.8 to 1,754.9, a fall of 14.4 over the week. Page 17

FT Index
Ordinary share (hourly movements)



NIKKEI average rose to a third consecutive record, the Tokyo share index adding 197.55 to 36,484.47. Page 13

CL-ALEXANDERS Laing and Cruickshank became the latest London securities house to pull out of market-making in UK equities, with the loss of np to 20 jobs. Page 4

JAPAN pledged financial support for Poland including $150m (£96m) in low-interest loans to a $1bn international fund being established by Western countries. Page 3

FRENCH insurance company Groupe Victoire, taken over this summer by the Suez financial conglomerate, is continuing its rush to create a giant European insurance network with talks on e partnership with Danish insurer Baltica Holding. Page 10

ROBERT MAXWELL, UK publisher, branched out this week with e $250m (£160m) bid for a 50 per cent stake in Clal, Israel's second-biggest conglomerate. Page 10

NIPPON Life Insurance of Jepan is expected to pay Credit Lyonnais bank FFr420m (£44m) for a one-third stake in the Forum des Halles ehopping centre in Paris.

MONOTYPE Corporation, UK manufacturer of typesetting and pre-press equipment, agreed to be bought for £32m by US investment group King, Black & Associates. Page 8

VSEL Consortium, defence contractor which makes Britain's Trident-carrying submarines, more than doubled interim pre-tax profits to £12.1m. Page 8

SIR RON BRIERLEY, New Zealand entrepreneur, is to return to stamp dealing in his retirement by buying, in a personal capacity, a 37.5 per cent stake in the Australian arm of UK stamp group Stanley Gibbons. Page 10

Ashley Ashwood

Egon Krenz: free electinns unlikely before end of 1990

Krenz declares socialist loyalty

By Leslie Colitt, David Marsh and Geoffrey Owen in East Berlin

MR EGON KRENZ, the East German leader, yesterday declared bis country's nnstinting allegiance to Socialism and firmly warned West Germany against hopes of a complete dismantling of the Berlin Wall.

In a wide-ranging interview with the Financial Times, Mr Krenz said that his country's planned free elections were unlikely to take place before the end of 1990, the first time the East German leader has mentioned e date for western-style polls.

Althongh he spoke of East Germany "learning" from capitalism "in spite of all its imperfections," Mr Krenz attacked West German efforts to force East Germany into market-oriented reforms in exchange for aid. He proclaimed: "I cannot imagine East Germany as e capitalist country."

Mr Krenz also hit out at suggestions that he would soon be forced to relinquish power. In charge since the middle of last month, after the forced resignation of Mr Erich Honecker, Mr Krenz said: "I have not taken office in order tn step down." He said he was confident of staying on after the party's special congress in mid-December.

But he admitted that, as a result of dissatisfaction among party members, the majority of the SED's central committee would be voted out next month.

FULL INTERVIEW
Page 6

Punctuating his remarks with freqnent flashes of humour, he made light of his own considerable unpopularity in East Germany. "I can order no-one to have a good relationship with me," he said.

Mr Krenz spoke in his office et the Socialist Unity (Communist) Party (SED) headquarters in East Berlin – a massive block which housed the pre-war German central bank, the Reichsbank. The austerity of his spacious office was relieved only by a wall-relief of Lenin, an abstract pastel tapestry of East Berlin landmarks – including the Brandenburg Gete – and two ceiling clusters of oversized light bulbs.

Mr Krenz said that a decision to open the Brandenburg Gate at the Berlin Wall – which has been rumoured for more than a week – depended on whether the Federal Republic and West

Continued on Page 22

● Signs of Moscow support for opposition
● More mass demonstrations in Prague

Czech Communist Party leaders quit as Dubcek returns

By John Lloyd in Prague

THE WAVE of reform eweeping throngh Eastern Europe reeched hard-line Czechoslovakia last night when the entire Communist Party leadership resigned.

Later in the evening, television programmes were interrupted with e brief announcement that Mr Karel Urbanek, a member of the reformist group in the Central Committee close to the Prime Minister, Mr Ladislav Adamec, had been elected as the new General Secretary.

The resignations appeared to leave the Czechoslovakian reform movement, which has been campaigning for political freedom, on the verge of e stunning victory.

The mass resignations came at the end of an extrodinary week which has seen daily demonstrations in Prague of more than 250,000 culminating yesterday in Mr Alexander Dubcek, the former Czechoslovak leader, making a triumphant return to the capital 21 years after his "Prague Spring" of reform wae crushed hy Soviet tanks.

The resignations were announced following a full-day emergency meeting of the Czech Communist Party central committee called in response to the growing tide of protests throughout the country.

At 7pm the CTK, the official news agency, announced that Mr Milos Jakes, the Communist Party General Secretary, had offered his resignation and that of the the entire secretariat, or top leadership, to the party's Central Committee.

Discussions on the new leadership were continuing late into the evening but it was not clear what form this new leadership would take. CTK said the leadership offered their resignations at the Central Committee meeting to allow election of a new leadership.

The news agency said the 150-member Central Committee wes debeting personnel changes and a new party leadership was expected to be elected by secret ballot.

It added: "Mr Jakes said he hoped the changes would contribnte to a more resolnte implementation of the process of restructuring and democratisation."

Demonstrators in Prague carrying Dubcek banners

EASTERN EUROPE
● Vast crowds light new fire
● Polish PM talks with Gorbachev
Page 2

The resignation of the Communist government in Czechoslovakia follows the fall of regimes in Poland, Hungary and East Germany over the past six months.

Another vast demonstration in Prague's Wenceslas Square yesterday, spilling out into the city centre, gave a roar of welcome as Alexander Dubcek appeared on a balcony above them.

Mr Dubcek, who is re-emerging as a powerful symbol of the Czech desire for political freedom, told a crowd of between 300,000 and 400,000: "Let us act as if we were in the light. We must unite in one current, and raise onr country to a new level of freedom."

Speaking after him on the balcony of the headquarters of the Socialist paper Svobodne Slobo (Free Word) was Mr Vaclav Havel, the playwright and moral leader of the newly-formed Civic Forum opposition movement. Mr Havel said that any dialogue betweent the movement and the Communist Party – offered on Thursday by Mr Ladislav Adamaec, the Prime Minister – must include discussions on the abolition of the party's leading role.

Third in a richly symbolic trinity was Cardinal Tomasek, whose age (90) prevented him from being present in the flesh but who sent a letter of protest against television distortion of his recent meeting with Mr Miroslav Stepan, the Prague Party chief – a letter which ended "The Church remains with the nation in its fight for democracy."

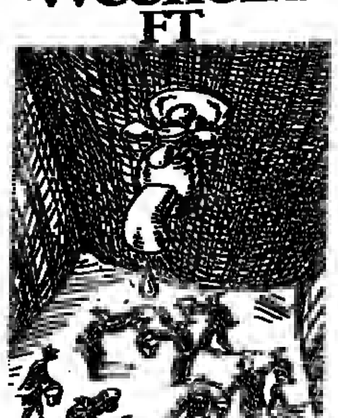
These speeches were made as the Central Committee met in all-day session, having moved out of their old building in the city centre, uncomfortably close to Wenceslas Square, to the relative security of their political academy half way to the airport

Majority opinion in Prague yesterday was that at least Mr Jakes and Mr Stepan would go – with Mr Adamec taking the supreme party position. The Communist Party committee in the town of Karlovy Vary called for the resignation of the entire leadership at a meeting last night.

This opinion was bolstered by further unmistakable signs that the Soviet Union was not just withdrawing support from Mr Jakes, but throwing it behind the opposition. A senior opposition source with good Communist contacts said that Mr Adamec had sent details of a reformist programme to Mr Mikhail Gorbachev, the Soviet leader, on Thursday – and that the programme had been approved.

An article in yesterday's Pravda, the main organ of the Soviet Communist Party,
Continued on Page 22

Weekend FT



WATER: HOW TO BUY IT
A three-page guide to the Government's water sale. An assessment of all 10 water companies, advice on different investment strategies, including the possibilities of avoiding tax with a PEP, and an account of the personalities, the battles and political compromises behind the flotation.
Pages IX-XI

DRUGS
Christian Tyler thinks the unthinkable, after a visit to Amsterdam, and considers whether the case for the legalisation of hard drugs is proven
Page I

JAPAN
How To Spend It goes to Tokyo, sampling Japanese food and rice wine; looking at the latest in minor Japanese motoring miracles; and explaining why you should be interested in the Tokyo Stock Market

SKIING
A full page of skiing
Page XIII

BOOKS
Our reviewers choose the books published this year that they have most enjoyed
Pages XVIII-XIX

Pound falls on political doubts and unease over the economy

By Patrick Harverson, Economics Staff

POLITICAL uncertainty and disquiet about the British economy led to another fall in sterling on the foreign exchanges yesterday.

The pound ended a difficult week 7 pfennigs lower against e D-Mark buoyed by developments in East Germany.

Selling of the pound was particularly heavy on overseas markets, as foreign investors heve been unsettled by news of the challenge to Mrs Thatcher from within her own party. Much of the damage to sterling yesterday was inflicted in the Far East, and the early losses forced the Bank of England to intervene to support the currency during the morning.

The pound fell in spite of an unexpected improvement in the trade deficit reported on Thursday, which failed to allay the markets' fears abont the outlook for the economy.

The steady fail in sterling this week has revived fears among some analyets thet bank base rates may have to go even higher to defend the currency.

The foreign exchange markets, however, were betting yesterdey thet base rates would stay et 15 per cent. Dealers believe Mr John Major, the Chancellor, would let the pound fall some way further before ordering e rate rise that would put an already weakened Government under further political pressure.

Sterling's weakness again reflected the strength of the D-Mark. Currency markets believe the Bundesbank may have to tighten monetary policy to counteract the inflationary effects of thousands of migrants from East Germany increasing domestic demand. The first opportunity to raise rates will come on Thursday, when the Bundesbank council meets in Frankfurt.

The D-Mark has also gained from expectations that the West German economy will grow faster next year because of the injection of East German labour, and the increase in trade that will accompany the opening of East European markets.

The rise in the D-Mark has placed a strain on currencies in the European Monetary System.

The French franc has fallen closer this week to the level where intervention is necessary to prevent it from crashing through its permitted floor in the EMS band. This has led to speculation that the D-Mark will be revalued to restore some stability to the system.

The political upheavals in Europe and the fluctuations in financial markets have given a boost to gold in recent weeks. On the London hullion market yesterday the price of gold closed at $416.25 e troy ounce, its highest level for 11 months.

In London the pound closed 1.75 pfennigs lower at DM2.82, but slightly higher against e weak dollar at $1.5625. On the Bank of England's sterling weighted index (1985=100) the pound closed down 0.3 at 86.7, to show e loss of 1.4 points over the week.

Gold markets, Page 4; Editorial comment, Page 6; Currencies, Page 11; World stock markets, Page 18; London stock exchange, Page 15; Markets, Weekend FT, Page II

MARKETS

STERLING
New York lunchtime:
$1.5625
London:
$1.5625 (1.562)
DM2.82 (2.8375)
FFr9.625 (9.665)
SFr2.5225 (2.525)
Y224.25 (225.25)
£ index 86.7 (87.0)

GOLD
New York: Comex Dec
$418.3 (411.6)
London:
$416.25 (411.75)

N SEA OIL (Argus)
Brent 15-day Jan
$18.45 (+0.075)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime:
DM1.8055
FFr6.1585
SFr1.8145
Y143.60
London:
DM1.805 (1.816)
FFr6.16 (6.1875)
SFr1.615 (1.618)
Y143.45 (144.25)
$ Index 69.3 (69.6)
Tokyo close: Y143.80

US LUNCHTIME RATES
Fed Funds $8\frac{1}{4}$%
3-mo Treasury Bills:
yield: 7.75%
Long Bond:
$102\frac{27}{32}$
yield: 7.87%

STOCK INDICES
FT-SE 100:
2,222.4 (+1.9)
FT Ordinary:
1,754.9 (+0.8)
FT-A All-Share:
1,114.00 (+0.1%)
New York lunchtime:
DJ Ind. Av.
2,677.26 (+20.48)
S&P Comp
344.01 (+2.10)
Tokyo: Nikkei
36,484.47 (+197.55)

LONDON MONEY
3-month interbank:
closing $15\frac{1}{32}$% ($15\frac{1}{16}$)
Liffe long gilt future:
Dec $91\frac{21}{32}$ ($91\frac{3}{8}$)

SELLING PRICE IN IRELAND 60p. IN MALTA 40c

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Austria Sch22; Bahrain Din0 700; Bermuda $1 50; Belgium BFr50; Canada C$1 00; Cyprus C£0.90; Denmark DKr10.00; Egypt E£3.25; Finland Fmk7.00; France FFr7 00; Germany DM2.30; Greece Dr150; Hong Kong HK$12; Iceland IKR125; India Rup15; Indonesia Rp3,100; Ireland I£0.60; Israel NS3.50, Italy L2000; Japan Y600. Jordan Fils1.000; Kuwait Fils 500; Lebanon £L400; Luxembourg LFr50; Malaysia Rin4.25; Malta 40c; Mexico Pes300; Morocco Dh6 00; Netherlands Fl3 00; Norway Nkr10 00; Portugal Esc140; S.Arabia Rls7.00; Singapore S$4 10; Spain Pta145; Sri Lanka Rup30, Sweden SKr10 00; Switzerland SFr2.40; Taiwan NT$65; Thailand Bht50; Tunisia Din0 600; Turkey L1200; UAE Dh7.00; USA $1.60.

Thatcher asks Bush for caution on east Europe

By Peter Riddell, US Editor, in Washington

MRS Margaret Thatcher yesterday sought to enlist President George Bush's support for her cautious view of the correct western European response to the changes in the Soviet Union and elsewhere in eastern Europe.

As she was meeting Mr Busb for four hours of talks at his Camp David retreat in Maryland, Mrs Thatcher said there were no disagreements between Britain and the US. She praised tbe presldent's televised address on Wednesday evening whicb reaffirmed tbe US commitment to Europe and close consultation witb allies.

The meeting came a week before Mr Bush's talks off Malta with President Mikhail Gorbachev. Announcing a further round of intensive transatlantic consultations, the White House said yesterday that Mr Bush would meet President François Mitterrand of France in the Caribbean on December 16, two weeks after Mr Gorbachev and a week after the summit of European Community leaders at Strasbourg. Tbe meeting is expected to be on the French-Dutcb Caribbean island of Saint Martin.

During a series of television interviews before sbe spoke witb Mr Busb, Mrs Thatcher put a personal, and cautious, gloss oo tbe allied positioo and tbe scope for big cuts in defence spending.

She said the president was rigbt to take "a measured response" since, "when the ice breaks up, it can be very dangerous. Yon get a period of uncertainty when great philosophies and great empires break up."

The cold war, she added, was "not over, bnt it's thawing. f think one mustn't mistake the inteotion and the goodwill for the deed. It is easier to pnt political reforms in place than it is to entrench democracy [with a multi-party system and tbe rule of law]. It will take at least the rest of tbe next decade." In Washington a year ago, she had said, "We are not in a cold war now."

Likewise, Mrs Thatcber played down talk of German reunification, which she described as "a border problem". Reunification was not on tbe agenda at the moment, she said. "The single top priority is to get democracy everywhere right across the continent. When you've got it, when it is re-establisbed, firmly and irreversibly, then you'll find you have a totally new situation. Then you can start to look at various border problems."

Mrs Tbatcher also cbose to interpret the recent suggestions of big defence cuts made by Mr Dick Cbeney, US Defence Secretary, in a more modest way tban they have been seen in Washington. She did not believe he was asking for "serious cuts in defance spending immediately. He was thinking about a budget whicb started in 1991." However, cuts are likely to start to come into effect next October.

She felt sure that Mr Bush, Mr Cbeney and Congress "understand tbe importance of keeping a substantial presence in Europe."

Like tbe president, she stressed tbe importance of standing by botb the Nato and Warsaw Pact structures. So she did not think Mr Gorbachev was going "to bring about summit surprises" in that he also wanted such security.

"If you want really big changes in one direction, you must keep other things stable, whicb is why most of us say that the Nato and Warsaw Pact security arrangements must stay in place, while those big changes are being hrought about."

Polish PM talks with Gorbachev at Kremlin

By Christopher Bobinski in Moscow

MR TADEUSZ Mazowiecki, Poland's Prime Minister, the first non-communist eastern European leader to enter the Kremlin for more tban 40 years, yesterday met President Mikhail Gorbachev.

Tbe meeting, as well as talks earlier in the day with Mr Nikolai Ryzhkov, tbe Soviet Prime Minister, signified Soviet acceptance of Poland's political evolution from Communist rule in the past six months.

Mr Gorbachev was breaking a long tradition of allegiance to communist parties in the Soviet bloc. He talked for an hour and 40 minntes in his private office with his Polisb visitor, having told journalists beforeband: "It may appear strange but I want to wish success to the Polish Government and the Polish nation."

Mr Mazowiecki later described tbe meeting as "extremely frank and friendly", and a Polish spokesman said the two men had discussed the economic situation in Poland and tbe Soviet Union as well as developments in Germany and Mr Gorbachev's imminent meetings witb President George Bush and Pope John Paul II.

Tbe Polish PM's reception was in line with a statement by Mr Eduard Shevardnadze, Soviet Foreign Minister, to the Foreign Affairs Committee of tha Supreme Soviet last week when he stressed that, for Moscow, "the main thing is stability in Poland. In this sense, the situation now is better than it used to be," he continued, openly admitting that tbe Commnnist Party in Poland had been unable lately to guarantee Soviet interests in the country.

"Polish stability is a factor of Soviet national security and we shall help Poland to stabilise the situation at home," the minister went on.

During the talks yesterday with Mr Ryzhkov, the Poles, sitting gingerly on their seats in tbe ornate St Catherine's Hall of the Kremlin palace, were made to feel at home by a remark abont chronic paper shortages making it hard to provide enough note pads for the participants.

The Polish Premier's team, many of whom were little-known Solidarity supporters a few montbs ago, reported that Mr Ryzhkov had been "open and responsive". He asked the Poles to support Soviet efforts to reform the unwieldy financial mechanisms of Comecon, the Soviet-dominated international communist trading group.

Poland and Hungary are the members most inclined to reform Comecon pricing, although both realise that a sbarp switcb to world prices would he expensive and favour the Soviet Union as a big supplier af oil and gas throughout Comecon.

Tbe Poles yesterday won assurances that, in 1991-1995, Soviet gas and oil sopplies would remain at the levels of the present five-year period, and the visitors raised hopes that the 20 per cent increase in gas supplies Poland is asking for will be made available.

Mr Mazowiecki is to travel this Sundey to Katyn, tbe Soviet site of a World War II massacre of at least 4,500 Polisb officers.

An exultant Alexander Dubcek waves to the Wenceslas Square crowds

Vast crowds light new fire in Dubcek and Havel

By John Lloyd in Prague

THE BIGGEST, and perhaps the decisive, demonstration in a week of massive popular manifestations in Prague brought together yesterday on the balcony of the Swobodne Slovo (Free Word) newspaper two men who bracket the Czecboslovak opposition movement.

Mr Alexander Dubcek led the Communist Party down a road of radical reform in 1968 – a road blocked in September of that year by Soviet tanks and Warsaw Pact soldiers. Yesterday he referred briefly to those searing days 21 years ago, reminding his audience in Wenceslas Square that the local police and soldiers then had stood with the people – and saying that they should do so now.

He appeared to be attempting to resurrect, from the heap of ordure under which it has been huried by the men wbo supplanted him, the idea of "socialism with a human face", with which his brand of reformism was tagged.

Mr Dubcek is reported to have accepted, in private conversations with his advisers over the past few months, that he is unlikely to play a front-rank political role in whatever regime succeeds the present one. Bnt those surrounding him now see a man re-energised by the reception he received on Thursday night in Bratislava and before a much bigger crowd yesterday in Prague – and believe he may he tempted to move centrestage again.

But he, or any other leader who attempts to resurrect socialism, will find it hard to disentangle the ideals from a practice which is now heing overwhelmingly rejected. Mr Dubcek is said to have in mind a cleansed Communist Party, perhaps under another name. But, in the view of many in opposition circles, it will take more than a change of name to win popular support.

Against that, however, is the undoubted fact that his stature both in Czechoslovakia and internationally has grown in recent years, as he has been allowed occasional interviews with foreign newspapers and television (inclnding Hungarian state television) and as he has sought to identify his own Prague Spring with President Mikhail Gorbachev's glasnost and perestroika.

Following him on the balcony yesterday was the man who, more than any other, has captured the affection of the young and not so young demonstrators in Wenceslas Square. The playwright Mr Vaclav Havel – after a decade of courageous opposition, spells in prison and international protest – now reaps an affectionate reward from those who, until recent weeks, had steered well clear of the activities of his Charter 77 movement, the vehicle of a hard core of activists.

Now, expanded with other streams of the opposition movement into the Civic Forum, Mr Havel is best placed to articulate the suppressed longing for freedom and the contempt for rulers which, it now seems, most of the nation now wishes to express.

He, too, hriefly referred to his pedigree when he reminded the crowd in Wenceslas Square last night that the Charter 77 movement had called for a dialogue with the government for the past 13 years.

He is talked of as a future president of a pluralist Czechoslovakia – though he has shown no public desire for the role and has presented, until the last few days, an awkward and hesitant public face. However, in his speech last night, he was cheered after every sentence and his voice rang with confidence. He, too, may be tempted to leave the study and to play a larger role.

Italy's Communists plan new party of left

By John Wyles in Rome

AFTER a week of open and sometimes bitter public debate, the central committee of the Italian Communist Party yesterday agreed to jettison its residual communist wrappings, including the party'a name, and to launch a new party of the left during next year.

Jubilant supporters of the party'a leader, Mr Achille Occhetto, were last night celebrating the first fruits of one of the most courageous gambles in modern Italian political history. Under pressure of events in Eastern Europe and in less than a fortnight, Mr Occhetto has set Western Europe's largest Communist Party on an uncharted course which will steer towards either division and possible decline, or towards the chance of leading a social democratic alternative to 42 years of Christian Democrat-dominated coalitions.

Mr Occbetto still has to carry his proposal through a special party congress early next year but his chances look excellent after having secured a 219-73 vote in his favour, with 34 abstentions, yesterday. His opponents inclnde tbe small hard-line neo-stalinist rump led by Mr Arnaldo Cossuta and the reformist-left led by Mr Pietro Ingrao, whose ambitions stop short of abandoning an intellectual tradition based on Marxist concepts together with the party's name and hammer and sickle symbol.

Though this has been the objective of Mr Occhetto and the 35-50-year-old generation whicb supports him since he became leader in June 1988, be was forced into launching his unexpected initiative less than a fortnight ago. The fall of the Berlin Wall and the popular rejection of Communist parties across Eastern Europe convinced him that "Italian communists cannot indefinitely go on proclaiming their difference in the world, inside a proud isolation," as he told the central committee on Monday. The party commands about 27 per cent of the popular vote but has been in steady electoral decline this decade.

Occhetto: courageous

An opinion poll published at the beginning of this week suggested that six out of 10 Italians favoured a change of party name, with the proportion reaching 88 per cent in the 24-44 age group.

Mr Occbetto acknowledged yesterday that "there have been differences of emphasis" even among his majority and that the task of refounding the party would be a difficult one. His aim is to find a modus vivendo with Mr Bettino Craxi's Socialists withont whom no alternative coalition would be possible but who is firmly lodged in alliance with the Christian Democrats.

Ceausescu stands by socialism

By Judy Dempsey in Vienna

THE hard-line Romanian president and Communist Party leader, Mr Nicolae Ceausescu, has vowed to remain faithful to revolutionary socialism, even as Bucharest's last remaining European allies fight for their political survival in Czechoslovakia.

During his closing speech yesterday to the Romanian party congress, at which he was unanimously re-elected leader, Mr Ceausescu turned his back on the reforms sweeping eastern Europe and, in a defiant speech, declared "the country under the leadership of the party determined to continue down the revolutionary path we have taken to assure the indapendence and sovereignty of Romania."

Tha 3,200 delegates rapturously applauded, shouting "Ceausescu! Ceausescu!"

Earlier in the week, the delegates who, like marionettes, rose 130 times to applaud and chant in unison, had listened to a five-hour speech by the president, in which he criticised those socialist countries which were going down the road towards capitalism.

Diplomats based in Romania yesterday concluded that the country would face even greater isolation over the next five years, and would continue to pursne economic policies which placed all decisions in the hands of the tight circle of officials around the leader.

There is little indication, meanwhile, of the future role of Mr Iou Stoian, who was moved this month from tha foreign policy department of the party Central Committee to be foreign minister.

Lebanon elects Hrawi as new president

By Lara Marlowe in Beirut

LEBANESE MPs elected Mr Elias Hrawi as the country'a new president yeaterday, quickly filling the gap left by the assassination of Mr René Moawad in an effort to keep alive an Arab League peace plan.

Mr Hrawi, a 59 year-old Maronite MP and businessman from the Christian town of Zahle in the Bekaa valley, is Lebanon's 10th president. Mr Moawad was killed by a bomb in west Beirut on Wednesday.

The new man received the overwhelming majority of the votes cast at the Park Hotel in Chtaura, near Lebanon's eastern border with Syria. He immediately designated Dr Selim al-Hoss – the choice of his murdered predecessor – as prime minister.

Dr Hoss had travelled to Chtaura earlier in the evening so that he, the new president and Mr Hussein Husseini, Speaker of parliament, could decide on a cabinet.

The new Government is expected to relieve the Lebanese ChristianGeneral Micbel Aoun of his functions as commander-in-chief of the Lebanese army. The three men felt it essential to avoid the delays which had crippled the 17 days whicb Mr Moawad served.

Mr Hrawi had been one of two unsuccessful candidates in the ballot that elected Mr Moawad on November 5. Lebanon'a new president was activa in negotiating the accords drawn up at Taif in Saudi Arahia under the auspices of the Arab League and endorsed on October 22.

Although he maintains good relations with Syria, he is also on excellent terms with many anti-Syrian Maronites.

The funeral of Mr Moawad will take place this Saturday at the church of St John in his home town of Zghorta. The president's remains were taken in a 300-car cortege to Beirut airport yesterday morning.

Some 5,000 people, many of them weeping, lined the path of the procession. The diplomatic corps stood in tribute as the flag-draped coffin was lifted into the hold of the Middle East Airlines jet that flew it to Qlaiaat.

From there, the casket was driven in a black hearse to Zghorta where 15,000 northern Lebanese displayed their grief at the loss of their native son by tearing their garments, sobbing and heaping wreaths in front of the late president's home.

"Beirut, we sent you the president and you killed him," one mourner cursed. "Wa hope Beirut will be destroyed."

The incremental destruction of Beirut had continued the night before, wben dynamite exploded outside a Syrian intelligence post in the Rue Adonis, seriously wounding one civilian and breaking the windows of neighbouring buildings.

An increase in automatic weapons fire and shelling on the Sonk al-Gharb front between Christian east Beirut and the Druze and Syrian-beld Chouf added to the anxiety of those who feared a return to the city-wide artillery battles that preceded the ceasefire of September 23.

● The Israeli Prime Minister Mr Yitzhak Shamir – returning from a visit to the US, France and Italy – yesterday expressed regret at the assassination of President Moawad and said it showed Israel had to be on guard against attack.

EC ministers settle merger differences

By Lucy Kellaway in Brussels

THE FINAL draft of a European law on cross-border mergers is likely to be agreed by member countries by the end of the year, following progress made by the 12 industry ministers to settle their remaining differences.

The directive, under discussion for 16 years, would create a "one-stop" system for vetting big mergers, with Brussels looking at deals with a combined turnover of over Ecu5bn (£3.6bn), and national authorities examining smaller ones.

After Thursday's meeting, one obstacle remains on the qnestion of whetber national governments can re-examine a merger that has been passed by the Commission. The German government is isolated in wanting broad powers for its cartel office to vet big mergers.

Otber members, especially the UK, want the exit route kept as tight as possible. A compromise tabled last night, allowing a merger to be examined twice when narrowly defined local markets were at stake, seemed acceptable to all countries except Germany.

Commission to probe satellite industry

The European Commissioo has decided to investigate the possibility that illegal state aid is being paid to companies in the European satellite broadcasting industry, Tim Dickson reports from Brussels.

Scores of state aid investigations are carried out by the Commission's competition policy experts eacb year but only a few – such as the Renault case in France and the row over debt write-offs to tbe Finsider steel company in Italy – attract a higb political profile. The rest are resolved either because the companies and countries involved quietly change their ways, or because the Commission is satisfied that tbere is no threat to competition.

It is understood that tbe Commission's action has been prompted by allegations that illegal paymeots have beeo made.

Iran/Contra case thrown out

A US judge yesterday threw out one of tbe criminal cases in the Iran-Contra affair, AP reports from Washington.

Judge Claude Hilton dismissed the cover-up case against Mr Joseph Fernandez, former CIA station chief in Costa Rica, saying an affidavit from Mr Dick Thornburgh, US Attorney General, barring disclosure of certain classified information made it impossible to give Mr Fernandez a fair trial.

Mr Lawrence Walsb, tbe independent Iran-Contra counsel for the prosecutor in the arms-for-bostage deal, said he would appeal against tbe dismissal.

Ireland sets up Debt Office

The Irisb government is to set up a special National Debt Office within the Ministry of Finance to oversee and manage the country's I£25bn (£23hn) debt, Kieran Cooke reports from Dublin.

Mr Charles Haughey, the Irish Prime Minister, said tbe new office would be staffed by personnel experienced in debt management and operate "in accordance witb the best modern practice in portfolio management". "The sheer size of the national debt lies at the root of our economic problems," be said.

Ireland's debt servicing alone this year is expected to be more than I£2bn, or I£40 per week for every worker in the country.

Surinam peace meeting

For the first time since a guerrilla war erupted three years ago, Mr Desi Bouterse, Surinam's army commander, and Mr Ronnie Brunswijk, tbe rebels' leader, have met to negotiate peace, AP reports from Paramaribo.

The privately-owned newspaper De Ware Tyd, citing military sources, said both leaders agreed peace was necessary because of the suffering and economic bardships caused by the conflict, which has killed an estimated 200 people, including civilians.

The paper said Mr Bouterse would submit a report of Thursday's encounter to Presideot Ramsewak Sbankar.

The rebels and the government agreed to end the war during a June meeting in French Guiana, but until now the army had rejected tbe terms of the agreement.

Dynamite found on Saudi airliner

Explosives have been discovered aboard a Saudi Arabian airliner after it madc an emergency landing in Karachi, Renter reports.

The airlincr was cn route from Islamabad to Riyadh wben authorities in the Pakistani capital received a telephone call warning of bombs aboard and ordered it to land at the southern port on Thursday night, they said.

The aircraft landed safely at Karachi's international airport and two sticks of dynamite were found in baggage, police said.

Police said they had detained a number of passengers for interrogation but would oot give further details.

An island factory that symbolised French industry

William Dawkins looks at Renault's doomed Billancourt plant, to be closed after 91 years

WEARY resignation was on tbe faces of Renault workers yesterday emerging from the shadows of their doomed factory at Billancourt, just outside Paris, into the bright lunchtime sun.

A small group of Algerians, clad in grimy blue overalls, chatted quietly as they played pool in one of the bars dotted around the little market square behind the factory. Their calmness is remarkable in view of tbe fact that they had beard, only a day earlier, that the "Regie" was to phase out production at its archaic and badly situated assembly plant there, the main part of tbe huge Billancourt complex, with the loss of just over 4,000 jobs by early 1992.

This brings to an end a central symbol of both French industrial pride and shame, the birthplace of the country's car industry, a centre of German collaboration in the last war, the leader of France's post-war iodustrial revival, and tbe scene of some of the country's most violent industrial disputes this century.

It is hard to believe that such dramatic events took place in and around this placid square, long ago unofficially named Place Nationale by Renault's unions, in defiance of the dull name it bears on all approved maps, Place Jules Guesde. This is because everyone knew in their hearts the death blow was inevitable, explains one of the pool players, with a sad shrug.

The unions will now settle down to negotiate their redundancy packages, but this consolation is not available to local traders like Mr Momeaux Vilmosse, the 45-year-old *patron* of Le Point Du Jour, the bar with the pool table so popular with Regie workers. He has Renault in the blood: his father worked tbere for 18 years. Now, he says, "We will have to sell and move somewhere else. No, I don't know where. We have known this was coming for two years, so it is not a surprise. But it is a sadness."

The reason no one was surprised when Mr Raymond Lévy, Renault's chairman, broke the news, addressing the workers on a dozen TV screens scattered around the plant, was that Billancourt has for long stuck out like a sore thumb as an industrial nonsense. Visiting Japanese car executives have been known to dissolve in astonished laughter at the sight of this five-storey plant, perched on an island in the Seine, joined by only the slenderest bridge to the bankside complex that supplies all its needs.

It is an extraordinary sight, like a giant beached cruiser, 1km long, its stained white walls rising sheer out of the river. The only way completed vahicles – 420 Express and Renault 5 Société ligbt vans a day – can get out of the congested plant is by barge. Incoming components have to be unloaded at Renault's premises on the bank – which will be turned into its head offices after the closure – because modern delivery trucks are just too big to make it through the bank side of the factory and over the bridge.

Even though it is technically outside the Paris boundary, the plant is surprisingly close to the heart of the city, whose arteries are increasingly clogged with traffic, making access dreadful. A London equivalent would be on the Thames somewhere like Wandsworth. So, however efficient the workers on the island, their plant can never be competitive. "This is not your fault, for all the progresa which could be made at Billancourt, you have made," Mr Lévy told them.

Production will be shifted to a more efficient plant in nortb-east France. Renault plans to demolish the island plant for some form of private development. This has not baen decided, tbough Mr Georges Gorse, tbe local mayor, has spoken of a wide range of options from a golf course, to a prison, offices, flats or a university.

If the logic has been there for so long, why do it now? Mr Michel Rocard, the Prime Minister, insists his decislon to sanction the closure was independent of the European Commission's ruling 10 days ago that Renault had not made enough production cuts to justify a controversial FFr12bn (£1.2bo) state debt-write off. Still, several officials privately admit this added a new reason to act on a decision that had been held off because of the bicentenary celebrations and then delayed again by a recent strike at Peugeot.

It must rank as one of Europe's historic industrial symbols. Prodnction began in the island in 1898, under Louis Renault, who put together his first prototype in a shed, preserved today as a museum on the bank side of the complex. After serions strikea in its early years, the company became in 1917 the first in France to sign an accord with officially accepted workers' delegates, which migbt have attracted the future Chinese leader, Deng Xiaoping, to work there for two months in 1925.

During the last war, the factory was used for repairing West German tanks, a move which cost Louis Renault his life. Arrested and accused of collaboration in 1944, he died in prison a year later, following which the group was nationalised by General de Gaulle. Later, de Gaulle said of the plant: "When Billancourt coughs, France catches a cold." What would he have said today?

Private-sector look for balance sheet

RENAULT, the French car maker, is to restructure its balance sheet, the latest attempt to organise itself along the lines of a private company within the limits of its state-owned status, writes William Dawkins in Paris.

It plans to use last year's record profits to help it write off FFr32.8m (£3.4m) of accumulated losses, the legacy of the European car industry's last crisis early this decade, against its shareholders' capital. The effect will be to rednce Renault's published capital from the present FFr16.5bn – which is gross of past losses – to a net FFr2.47bn.

This is purely an accounting manoeuvre, designed to bring Renault's published capital down more in line with the figure shown on the balance sheets of private industrial companies, which usually publish their capital net of accumulated losses. It will simply make the balance sheet clearer and have no direct impact on Renault's borrowings or profits, said an official.

In detail, tba new uet capital figure is reached by writing off the FFr32.8 of losses against FFr16.5bn of shareholders' funds plus FFr7.3bn of 1988 profits and FFr12bn of state capital injection, a total of FFr35.8bn. While the FFr12bn capital injection is being challenged by the European Commissiou as an infringement of EC state aid rules, that row has no direct link with the balance sheet change. If the FFr12bn had to be repaid, however, Renault's capital position would clearly become negative.

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OVERSEAS NEWS

Further intimidation and deaths mar Indian election

By K K Sharma in New Delhi

AT LEAST 15 more people were killed in the second day of polling yesterday in India's general election, taking the total toll in the first two days to nearly 60.

Most of the deaths yesterday took place in the northern states of Uttar Pradesh and Bihar, in the key Hindi heartland, where there were also reports of violence and intimidation of voters.

In the same area on Wednesday, there occurred bitter clashes between the ruling Congress Partyand Janata Dal supporters

Firearms were said to have been openly displayed to intimidate voters and ahots were fired in many constituencies, including Fatehpur where Mr Arun Nehru, consin of Mr Rajiv Gandhi, India'e Prime Minister, is standing for the opposition Janata Dal.

As on Wednesday, complaints of election rigging were made in Uttar Pradesh and Bihar. Opposition spokesmen said they had complained to the Election Commission of unfair practices such as "bootb capturing" and the stuffing of ballot boxes.

The commission has ordered fresh polling in some areas where the compiaints have been confirmed, and hopes to complete this by Sunday, the last day of the election. So far, new voting has been ordered at 930 polling stations but many more complaints remain to be investigated.

No decision has yet heen taken on whether there should be new voting in tbe entire constitnency of Amethi in Uttar Pradesh, wbere the Prime Minister is being challenged by Mr Rajmohan Gandhi, a grandson of Mahatma Gandhi and a nominee of the Janata Dal.

A team sent by the commission to inquire into allegations of rigging by Congress workers in Amethi reached the constituency yesterday afternoon. Its report must be made available this Saturday if the commission is to decide on a new vote in Amethi on Sunday.

Counting of votes is to begin on Sunday morning, while much of the country is still voting, except for the north-eastern state of Assam where the election will be held in January.

The final official results are expected to take three days to announce, hut some indication of the outcome is expected hy Sunday evening from random sampling and early trends.

Japanese offer $150m for Polish aid fund

By Stefan Wagstyl in Tokyo

JAPAN yesterday pledged financial support for Poland including $150m in low-interest loans to a $1bn international fund being estahlished hy Western countries.

Possible new trade and investment credits and a contribution to a multi-national food aid plan were also contained in a package announced by Mrs Mayumi Moriyama, Chief Cabinet Secretary.

She promised to consider giving Poland and Hungary help with technical co-operation, husiness management and anti-pollution measures.

The scale of the contribution to a part of the world with which Japan has had little contact reflects Japan's wish to play a more active role in global affairs.

Mr Kenzo Oshima, director of the aid policy division at the Japanese Foreign Ministry, said Japan was a power with interests in every part of the world. Events in eastern Europe were a question of values and principles which concerned Japan. Eastern Europe was remote, in comparison with China or Korea, hut Japan was making an appropriate contribution to western Governments' efforts, he said.

Mrs Moriyama said the success of economic reforms in Poland and Hungary was indispensable for stabilising Europe and East-West relations, and had consequences for the stability in the Asia-Pacific region.

Japan's planned loan to the multi-national fund to support Polish reforms will be made on condition that Poland reaches an agreement with the International Monetary Fund – a prerequisite for the whole scheme.

Japan's contribution is compared with a $200m grant pledged by the US, $200m in loans from West Germany, and $140m in loans and grants from France.

New investment credits and loans through the Jepan Export-Import Bank, and the resumption of trade and investment insurance, will be considered favourably on condition that agreement is reached with Poland on the repayment of arrears of about $1bn on previous government-backed credits suspended in 1981. Japan also said it would consider making additional Exim bank credits to Hungary, if requested.

Shamir sticks to peace plan

By Eric Silver in Jerusalem

THE Israeli Prime Minister, Mr Yitzhak Shamir, returned home yesterday unmoved by the critical reception he received during a ten-day tour of the US, France and Italy.

Speaking to reporters at Ben-Gurion airport, Mr Shamir made clear that he had no intention of amending his Middle East peace plan to accommodate US reservations, or to tempt the Palestinians and their Egyptian patrons to attend a preliminary conference.

He insisted that Israel would not negotiate with the Palestine Liberation Organisation, nor allow Palestinians living outside the occnpied West Bank and Gaza Strip to take part in negotiations or elections.

Having acknowledged that there had been differences of opinion with the US administration, Mr Shamir maintained that both President George Bush and Mr James Baker, US Secretary of State, had ultimately agreed to "a continuation of the same policy of close friendship and close co-operation." In particular, the US had undertaken not to press Israel to talk to the PLO.

Asked about reports that Mr Bush had accepted a message from Mr Yasser Arafat, the organisation'e leader, the prime minister said he knew nothing ahout them. As for French and Italian support for the PLO, he dismissed that as familiar stuff. "The position of our friends in the European countries was not surprising. We have known it for some time," he said.

The Israeli initiative, launched last May, remained the only plan on the international agenda. The Americans, Mr Shamir said, agreed that a "concentration of effort" was needed to push it forward. "We still think that there are many chances for implementing our peace initiative and making it a reality."

Asked whether Israel planned any further steps to expedite the process, he said: "For such negotiations, you need at least two parties. It does not depend only on our readiness and willingness. We have expressed our full readiness and full interest for starting a real process of peace."

A commentator using the pen-name Poless in the liberal newspaper Ha'aretz wrote yesterday: "The peace process remains frozen. That is the only achievement Shamir can be proud of." His Labour Party partners in government should now ask themselves "how long they are willing to comply with this paralysis" by staying in the national unity coalition.

Salvador's embattled president puts his faith in the military

The Arena government is being squeezed between left-wing guerrillas and right-wing death squads, reports Tim Coone

PRESIDENT Alfredo Cristiani of El Salvador was able to put a brave face on his current political and military crisis until he held a news conference last weekend. As it drew to a close, someone – prohably a US television cameraman – muttered loudly: "That's one turkey that won't make Thanksgiving."

Mr Cristiani understands English very well.

On Thanksgiving Day itself, Thursday, another presidential news conference, held in the army headquarters in the capital San Salvador, was thrown into panic when left-wing FMLN guerrillas attacked just as the president hegan to speak. They were beaten off hut the president looked shaken.

Alfredn Cristiani: visibly shaken hy attack

His government has firmly rejected guerrilla offers of a ceasefire, arguing thst the guerrilla offensive launched two weeks ago had been "a total failure."

Yesterday, the headquarters of the Third Infantry Brigade in the strategic eastern city of San Miguel was reported to be under attack. If San Miguel were to fall to the FMLN, the entire eastern part of the country would pase into guerrilla hands.

Mr Cristiani has reason to appear shaken. The challenges he faces are not only the political and military ones from the left. Within Arena, his own right-wing party, the moderete wing which he represents is being pushed aside. The right-wing death squads are again acting with impunity and there is frustration and impatience in the armed forces over the pace of the Government's counter-offensive, if one can be said to exist.

The right wing is itching to be given free rein to attack the guerrillas, their supporters and even moderate opponents of the Government, applying the maxim "you are either with us or againet ns." Weetern diplomats are asking whether Mr Cristiani has lost control of the far right in his party, the Government and armed forces.

By insisting on negotiating with the FMLN from a position of military superiority, and by rejecting all current efforts to reach a ceasefire or truce, Arena and the Government are isolating themaelves hoth nationally and internationally.

The Christian Democrats and Social Democrats, the two main opposition forces in El Salvador aside from the FMLN, are both calling for a ceasefire. The Vatican and the European Community are calling for a negotiated solution.

But Arena is making no effort to explore possible political solntions with the other political parties.

The dilemma of the right wing is that, in its view, a ceasefire and negotiations with the FMLN would give the guerrillas a chance to re-group, re-arm and prepare another offensive. Whether snch an offensive materialises or not, for Arena this signifies a weakening of its power. Hence the idea is that the army must pnrsue a sustained counter-offensive to break the backbone of the FMLN and force it to negotiate from a position of weakness.

Mr Cristiani seems to have accepted this analysis as his only way to ensure the loyalty of the right wing and the hulk of the armed forces. The real danger, though, is that the right wing mey have mnch overeetimated its own strength, for it is the guerrillas who continne to strike at will while the army is fully stretched and parts of it could begin to crumhle hefore another all-out offensive by the FMLN.

Toyota ASEAN import deal

By Robert Thomson in Tokyo

TOYOTA, the Japanese automaker, is to import engine cylinder blocks from Indonesia for commercial vans to he made in Japan, so as to broaden its manufacturing in ASEAN countries.

The decision will mean the closure of a machine line at the company's Kamigo plant in Japan and is tied to an agreement with Jakarta-based P.T. Toyota-Astra Motor to increase production of engines at an existing factory.

Toyota will benefit from a plan launched hy ASEAN countries in October last year, providing for tariff concessions on parts prodnced in member countries and exported to other member countries for automobile production.

A Toyots spokesman said: "There will hopefully be more and more localisation" in ASEAN countries. The company already imports cylinder hlocks from Australia and plans to import engines from its Kentucky plant in the US from 1992.

About 50,000 to 60,000 hlocks will be imported annually after 1990, and used in Liteace commercial vans.

Battle for the Honduran hot seat

Tim Coone reports on tomorrow's presidential elections

WHICHEVER of the two principal candidates succeeds in the presidential and congressional elections in Honduras this Sunday, he will face big foreign policy changes, even before he takes office on January 27.

The country's new leader for tbe next four years will inherit problems with neighbouring El Salvador and Nicaragua.

Honduras signed an agreement in August with Nicaragua that the 12,000-strong Nicaraguan rebel contra force, based on Honduran territory, would be demohilieed by December 5.

The outgoing Government of President José Azcona is now saying it will not expel the contras by force, due mainly to the reluctance of the Honduran army to hloody itself in a conflict it helped create.

In response, Nicaragua is threatening to renew litigation for damages in the International Court of Justice in the Hague, which could cost Honduras billions of dollars in compensation and affect foreign aid from western Europe.

Also, Nicaragua may now decide to attack the contras' Honduran base camps directly.

What's more, a crisis is brewing in neighbouring El Salvador, following the launch of a national offensive by left-wing guerrillas a fortnight ago. The Government there faces an onslaught after its rejection of the guerrillas' ceasefire proposal on Thursday.

If the Salvadorean administration were toppled or the US to decide to intervene, Honduras would be dragged into the conflict because of the growing US military presence there.

So, a crisis could be well advanced before the new man dons the Honduran presidential sash.

Mr Carlos Flores Facusse, candidate for the ruling Liberal Party, and Mr Rafael Callejas of the opposition's National Party, have not made foreign policy prominent in the campaign.

Mr Flores has said this year: "There is probahly not much difference between us. The Liberals will put slightly more emphasis on social welfare programmes and the role of the state in the economy, whereas the Nationals will put slightly more emphasis on the role of the private sector."

The electoral platforms of the two parties reflect these small differences of emphasis.

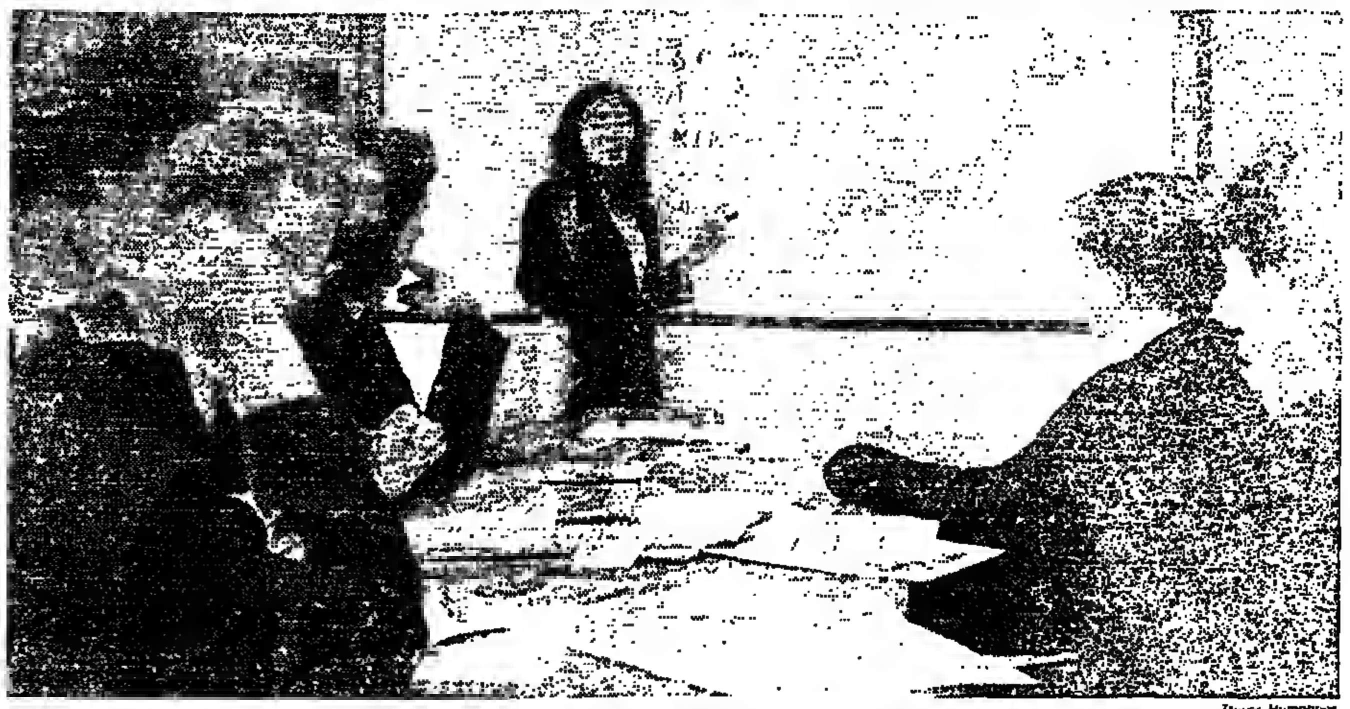
Apart from both making electoral pledges to continue with the essential peace process initiated under Mr Azcona, foreign policy is barely mentioned. This is why:

The Honduran public is sick of the contra issne. This manifested itself recently in a wave of anti-Americanism. Indeed, the pre-eminence of the contra issue – and the neglect of the economy, growing poverty and class conflict in recent years – have made the latter matters the main political issnes for the Honduran pnhlic. In response, both main parties have moved left towards the centre during the past four years.

There is a political consensus that the contras must leave Honduras; the question is how. Neither candidate is offering a solution. As Minister of the Presidency and political adviser to President Suazo from 1982 to 1984, Mr Flores is in part responsible for the establishment of contra camps in Honduras. Mr Callejas, as presidential candidate in 1985, told incredulous foreign journalists: "I have never seen any Contras in Honduras."

It would seem that blindness and complacency at that time are about to come back and haunt the candidates.

UK NEWS



Trevor Humphries

Mrs Chizu Nakajima: bringing the world of Japanese studies to sixth formers at Westminster School, London

Pupils discover lure of the East

David Thomas on growing interest in breaking stereotypes of Japan

KIRITSU, says Perry, as Mrs Chizu Nakajima walks into the classroom at Westminster, one of Britain's leading public schools, and the seven pupils duly stand up.

"Rei," Perry, one of the pupils, adds and Westminster's newest sixth-form set bowe. Mrs Nakajima bows back.

"Chakuseki," ordars Perry and the class sits down – completing the little ritual that would begin any lesson in a Japanese school.

With the opening ceremony out of the way, Mrs Nakajima starts her lesson on Japanese society, chatting easily to the sixth-formere who this term hecame the first popils at Westminster to study Japanese.

Westminster is not alooe. There is an upsurge in interest about Japan in British schools at the moment – althongh, admittedly, from a very low base.

Mrs Nakajima knows how ignorant the British are about her country, since she was educated at the Perse girls school in Cambridge in the 1970s, which explains her flawless, cut-glass English diction.

As a Japanese girl in an English school, she remembers heing viewed as "someone from outer space." The geography lessons stopped at Hong Kong, while the history teacher just about mentioned China.

Mrs Nakajima recently gave up her stockhroking joh in order to have a baby; she had been with Cazenove, selling UK equities to Japanese institutions. She welcomed the chance to belp Westminster with its course because she believes Japanese people should do more to hreak down stereotypes about their country.

Westminster, for its part, recognised about two years ago that many of its pupils would have to deal with Japanese companies in some form in adult life – a large proportion of ex-pupils land up in the City, for example.

Mr Ski Paraskos, the school's head of ecooomics, and Mr Neil Mackay, its development director, hunted round for a suitable syllabus until they discovered a new certificate being developed hy Cambridge University's examination board.

The attraction of the certificate, which will have its first examination next eummer, is that it balances learning the language with study of Japan's economy and society.

Mr Jack Robertson, who developed the syllahus for the examining board, said he was surprised hy the number of schools thet have shown an interest in it.

A few years ago, you could have counted on two hands the number of British schools teaching Japanese, but a survey conducted by the Japanese Language Association in January found 27 UK schools teaching the language – 19 state schools and eight independent. Mrs Joyce Jenkins, the association's secretary, says there has been a noticeahle increase since then in schools contacting her about starting a course.

The acknowledged piooeers were Manchester Grammar School and Bury St Edmunds County Upper School, which began teaching Japanese in 1970 nnder the influence of Mrs Mary-Grace Browning, a chemist who had lived in Japan. Mrs Browning now has more than 30 pupils studying Japanese at her comprehensive school in Bury St Edmunds, Suffolk.

Partly as a result of the wave of Japanese inward investment, more schools have started offering Japanese during the past couple of years. Areas of Britain with obvious economic links - such as Derbyshire, home to Toyota's new plant, and South Wales, with its concentration of Japanese electronics factories - have shown an interest in introducing Japanese to their schools.

An initiative under way at Marlborough College, another leading public school, might help to solve the chronic shortage of teachers of Japanese.

According to the Japanese Language Association, there is only one person in Britain who has a degree in Jepanese and also a qualification in teaching.

Mr Gerald Groffman, Marlborough's head of oriental studies, has called a meeting – which he hopes will be attended hy a dozen schools – to discuss plans for a "schools Japanese project."

Under his plans, existing teachers would spend a year in the Japanese department at Sheffield University, returning to teach the subject at their school. A Marlborough teacher has started teaching Japanese this term after completing a year at Sheffield.

The plan is modelled on a similar scheme that Mr Groffman pioneered for Arahic in 1983, which has resulted in Arabic being introduced into 26 schools, including Marlhorough.

"It is a very efficient formula for introducing oriental languages into schools," Mr Groffman said, altbough he adds that it would be necessary to attract business sponsorship to spread the scheme significantly among state schools.

Meanwhile, Mrs Nakajime completes her lesson at Westminster, which this week is about discipline in Japanese schools.

"Arigato gozaimasu," the class says, howing as she leaves the room, because it is traditional for Jepanese pupils always to thank their teacher for the lesson – a traditioo which some British teachers would no doubt envy.

Pressure for EC monetary union talks resisted

By Ivor Owen, Parliamentary Correspondent

BRITAIN will resist pressure by other members of the European Community for an early conference on speeding progress towards economic and monetary union, Mr Douglas Hurd, the Foreign Secretary, indicated in the Commons yesterday.

He reaffirmed the Government's willingness to consider all the options at next month's EC summit in Strasbourg, but insisted that a special intergovernmental conference would require "full and adequate preparation."

Mr Hurd, speaking in the resumed debate on the Queen's Speech, declared the British innocent of the charge of being "half-hearted Europeans."

To government cheers, he said: "We plead guilty to the charge of working and arguing for a liberal and open Europe. But that is not a crime – it is a necessity."

Mr Tom King, the Defence Secretary, rejected charges from the Opposition benches that Mrs Margaret Thatcher, the Prime Minister, was out of tonch with reality, with the result that Britain had become increasingly isolated in the EC and in Nato.

He criticised Mr Gerald Kaufman, Labour's shadow Foreign Secretary. Like Mr Denis Healey, his predecessor, Mr Kanfman accused Mrs Thatcher of heing as dictatorial as Mr Nicolae Ceausescu, Romania's old-guard Communist leader. Mr King said if Mr Kaufman found himself in a minority he would "immediately give in."

Mr Hurd again highlighted the way in which Britain was setting the pace in preparing for the establishment of the single European market in 1992.

Dealing with wider issues, Mr Hurd endorsed the judgment of his two immediate predecessors, Sir Geoffrey Howe and Mr John Major, that Hong Kong's difficulties over the Vietnamese boat people who were not entitled to refugee status could only be dealt with by enforced repatriation.

The debate on the Qoeen's Speech will be resumed on Monday.

Judge defers decision on jail for journalist in contempt case

By Raymond Hughes, Law Courts Cnrrespondent

A HIGH Court judge yesterday deferred his decision whetber to jail a journalist for disobeying a court order to surrender notes that could identify the person who gave him confidential information about a company's husiness plan.

Mr Justice Hoffmann said be would wait until the Court of Appeal had ruled on Mr William Goodwin's appeal against the order. The information is believed to have been stolen from the company's offices.

Mr Justice Hoffmann, who has ordered that the privately owned company must not be identified, beld on Wednesday that it was in the interests of justice that Mr Goodwin, a journalist on The Engineer magazine, should disclose to the company his notes of a telephone conversation with his source.

He ordered Mr Goodwin to hand the notes over hy 3pm on Thursday. The Court of Appeal later said that Mr Goodwin should give the notes to the court in a sealed envelope, to be opened only if his appeal failed.

Mr Goodwin did not do so and yesterdsy his counsel acknowledged that be was in contempt of court and liable to be jailed.

The company nrged the judge to impose an immediate penalty hut to suspend it until after the appeal next Wednesday. Mr Justice Hoffmann said it would be more eppropriate to wait until after the appeal.

The judge said it had been widely suggested in the media that the case involved a conflict between the private commercial interests of the company and the public interest in the freedom of the press.

"That is not so. The conflict is between two puhlic interests, both of which are very important: the free availability of information and the fair administration of justice."

Which should take priority was a matter for Parliament, which had said that, while the confidentiality of journalists' sources was very important, other public interests, including the interests of justice, ehould take priority.

"In deciding this case I have not applied any view of my own about whether one public interest is more important than another. I have applied the law laid down hy Parliament because it is my duty as a judge to apply that law and Mr Goodwin's duty to obey it."

He said that he hoped that, peoding the appeal, "Mr Goodwin and his supporters will take the opportunity to reflect upon their moral position."

Hinkley inspector rejects withdrawal plea

By David Green

MR Michael Barnes, QC, the inspector hearing the Hinkley Point C noclear power station inquiry, yesterday rejected requests to put pressure on the Central Electricity Generating Board to withdraw its application. He said the decision to proceed was a matter for tbe board.

Opponents claimed tbere was no justification for continuing with the application after a government decision to halt nuclear expansion pending a policy review.

The CEGB decided not to withdraw its epplication because it wants to establish an optioo for the new state nnclear power company in case the industry is expanded after the review.

Mr John Popham, for the Friends of the Earth environment group, claimed at the inquiry yesterday that the board's position was untenable and unreasonahle.

Even if tbe Hinkley plan were approved after the government review, the iseue would be so contentious that another inquiry was inevitahle, be said. Mr Crispin Auhrey, for Stop Hinkley Expansion, the regional opposition group, said the Government had deliberately and consciously removed the need for the power station in Somerset and the CEGB was now adopting the role of speculator.

The Government had gone as far as it could in indicating that the hoard should withdraw its application, hut that was heing ignored, said Mr Auhrey.

Lord Meichett, executive director of Greenpeace, the environment pressure group, called in a letter to tbe inquiry for the rejection of the CEGB's request to proceed and for tbe abandonment of the hearing.

Mr Barnes said it would be wrong for an inquiry inspector to put pressure on an applicant to withdraw. He was prepared to bear suhmissions from objectors next week on the implications of the government statement.

Lord Silsoe, QC, for the CEGB, said it did not intend either to withdraw the application or to recall any of its witnesses.

Cyclical indicators show economic decline

By Patrick Harverson, Economics Staff

CYCLICAL lodicators published yesterday by the Central Statistical Office provide fresh evidence that UK economic activity is continuing its steady decline from the peak of August last year.

The statistics show that the longer leading index, which is intended to show up turning points in economic activity one year ahead, took a fall in October.

The fall, which followed an unexpected rise in September, was attributed to a number of factors: the increase in interest rates to 15 per cent in early October, the decline in share prices during the month and the fall in housing starts and the steady rise in the corporate-sector deficit.

The CSO said there was little change in the shorter leading index, which looks six months ahead.

However, the coincident index, which gives an indication of the current state of the business cycle, continued to fall after further slowing of retail sales and an increase in the number of companies working below full capacity.

UK NEWS

Trading blows over Sunday shopping law

Maggie Urry assesses the impact of the European Court ruling on shops' opening hours

Sunday trading has led to raised voices and blood pressures

IT WILL be business as usual tomorrow at the many shops in England and Wales that ignore the Sunday trading regulations by opening. Among them will be B&Q shops, the do-it-yourself chain at the centre of the latest Sunday trading row.

It would have been hard to imagine, before Thursday's ruling on the subject by the European Court in Luxembourg, how the muddle over Sunday shopping could have been made worse.

Yet that ruling managed to intensify the battle over the whole, emotive issue of whether people should be allowed to shop on Sunday. Each side claimed the ruling as a victory.

The argument centres on the Shops Act 1950, which governs shops opening hours and what they can sell. Under the act, it is legal to buy a "girlie" magazine on a Sunday but not a Bible.

The law is widely ignored and patchily enforced. If a shop is prosecuted it can be fined a maximum of £1,000 for each Sunday. The law does not apply in Scotland.

Anomalies are rife. Hamley's, the toy shop in Regent Street, London, has been threatened by Westminster Council with an injunction. Yet the same council has just decided to suspend normal weekday shop closing times, governed by the same act, in the run-up to Christmas.

Mr Alan Chesterfield, general manager of Hamley's, says that, having worked in his office last Sunday, when the shop was closed, he emerged to see tourists five or six deep gazing through the windows. Mr Chesterfield hates to think of the business he is losing by not being able to open.

Hamley's is seeking permission for the shop to be designated a tourist area so that – under the Shops Act – it could open for 18 Sundays a year.

The European Court had been asked to decide whether the Shops Act breached Article 30 of the Treaty of Rome, which laid the foundations of the European Community.

Article 30 prohibits laws which constitute a restraint on trade in the EC. B&Q raised the idea that the Shops Act might restrain trade in its defence to a prosecution by Torfaen Borough Council, in South Wales, after B&Q opened its Cwmbran shop on a Sunday.

The magistrates, no doubt relieved to get rid of a thorny question, referred the argument to the European Court. This week's ruling put the question firmly back in the magistrates' court.

It said the Shops Act did not constitute a breach of the treaty unless the effect of the ban proved more restrictive than was necessary to achieve the economic and social policy underlying the law. It was up to the national courts to decide if the act was over-restrictive.

Sunday shopping is an issue that raises voices and blood pressures on both sides. A fierce battle has raged for years, with neither side making more than temporary advances. The pro lobby won some ground in 1986 when a bill was introduced into Parliament which would have freed Sunday shopping. Almost immediately the anti lobby regained territory when the bill was defeated.

On one side of the argument are those shops and shoppers which want to do business together on Sundays. They argue that Sunday opening works well in Scotland with shops opening only where they are wanted. "If anything, the Scots are more God-fearing than the English," says one retailer. "We would not open in Stornoway." That is a town in Lewis, in the Outer Hebrides, where the strictly Sabbatarian Free Church holds sway.

On the other side is an alliance of interests, including religious groups, Usdaw – the union representing shopworkers – and shops ranging from Marks and Spencer to the thousands of small, independent retailers that do not want to open on Sunday.

They argue that shops which want to open on Sunday are trying to exploit their workers and are motivated by "plain greed." These shops, the anti lobby argues, want to steal trade from competitors that do not open.

Those in favour believe that people who want to shop on Sundays should be allowed to; many enjoy doing so and no one is forced to. "Why should they be denied the fundamental human right to spend money?" argues one. Shopkeepers who do open on Sunday say that none of their workers are forced to come in and that many welcome the extra earnings.

Those against want to Keep Sunday Special, as the leading anti-lobby group calls itself. People living near the large do-it-yourself shops – one of the main groups to continue to open in spite of the law – complain of noise, too many cars and litter.

Mr Sean Galvin, of Usdaw, says: "Do people want to live in a world that does not slow down for one day?" He believes that if some shops open then others will be forced to follow suit and sales staff will have to work on Sundays.

While one side is continuing to press for reform of the Shops Act, the other will now be calling for greater enforcement of the law.

BAe offers reduction in working week to strikers

By John Gapper, Labour Editor

BRITISH AEROSPACE yesterday fell into line with two other engineering companies hit by an industrial action campaign for a 35-hour working week by offering to reduce the working week of striking manual workers at three plants to 37 hours.

The offer was made on condition that strikers at its Preston, Chester and Kingston-upon-Thames plants returned to work for detailed negotiations on a staged reduction that would lead to a 37-hour week by December 1992.

The offer was welcomed by leaders of the Confederation of Shipbuilding and Engineering Unions, which is co-ordinating the industrial action campaign. It has now spread to five plants, including the three owned by BAe.

But Mr Gavin Laird, general secretary of the Amalgamated Engineering Union, told the company the strike could not be called off before an agreement was reached. Leaders of the CSEU will discuss the offer further on Monday.

The BAe offer is a further boost to the campaign, which started four weeks ago. A 37-hour week has been agreed at NEI-Parsons in Newcastle-upon-Tyne to avert a strike, and was offered by Smiths Industries in Cheltenham.

BAe at Chester said the offer did not apply to white-collar staff, who work a 37¼ hour week and are nearly all still at work. The manual employees at the three plants work 39 hours a week.

If the BAe offer led to a return to work at its three plants, the incentive for other engineering companies to agree similar hours reductions tied to productivity improvements would be increased.

The BAe offer was made simultaneously by managers at the three plants to union officials. BAe said it had been prompted to make an offer by the declaration of the Engineering Employers' Federation that joint bargaining was at an end.

At Chester, where wings for the European Airbus are made, managers set a deadline of next Wednesday for the offer to be accepted. They warned of escalating lay-offs at other BAe plants if the offer was not accepted.

In a letter to union leaders, Mr Sean Dyke, general manager at Chester said the dispute had to be resolved quickly in order to stop an rapid increase in the number of lay-offs from the current 66 at BAe's plant in Filton, Bristol.

Indefinite strikes by manual workers are taking place at the three BAe plants, a Rolls-Royce plant in Hillington, Glasgow and at Smiths Industries. The BAe offer will put pressure on Rolls-Royce to make a similar gesture.

BAe talked of "the equivalent of a 37-hour week" being agreed provided that productivity improvements made it self-financing. It said the counting of hours over a period of two weeks or longer might be possible.

New ambulance pay body will give voice to breakaway union

By Fiona Thompson, Labour Staff

MR Kenneth Clarke, Health Secretary, last night announced that the Department of Health is to set up a new ambulance pay negotiating body.

Under the body, management will negotiate with the Association of Professional Ambulance Personnel, the breakaway union formed in 1981 after the 1979/80 health service unions' dispute.

The move is bound to anger the country's 22,500 ambulance workers who have been taking industrial action for 10 weeks now over a rejected 6.5 per cent pay offer.

The new body will run in parallel with the present Whitley Council ambulance negotiating body, which Mr Clarke said had never been fully representative of ambulance workers because it excludes APAP.

Mr Clarke said he was setting up the new body because the Whitley Council had not met once throughout the 10 weeks of the pay dispute.

The Department of Health last night refused to say whether any agreement reached with APAP might be imposed on all ambulance staff.

Mr Roger Poole, the chief trade union negotiator, said it was an "incredible diversion" for Mr Clarke to meet an organisation that had no loyalty among Britain's ambulance staff.

He said APAP had fewer than 2,000 members, not the 4,000 claimed by Mr Clarke.

Mr Poole has been asked to formally reply to the proposal by next Friday. Leaders of the five trade unions representing ambulance staff will discuss it early next week.

The effects of the dispute were being felt across the country yesterday.

Police were answering emergency calls in Derbyshire after crews were suspended and in Shropshire, Staffordshire, Warwickshire, Hereford and Worcestershire, non-emergency staff were told 25 per cent of their pay would be deducted from Monday if they refused to do non-urgent work.

The director of the Scottish Ambulance Service has said that from 7am on Monday, all non-urgent staff will have their pay docked for refusing to work normally. The 999 staff, officers and control assistants were excluded from the docking.

OBITUARY

Sir John Reiss: former chairman of Blue Circle

SIR JOHN REISS, former chairman of Blue Circle, Britain's biggest cement manufacturer, and president of Aims of Industry, the business lobby group, has died, aged 80.

Sir John, who was a strong opponent of state ownership, campaigned vigorously against the Labour government's nationalisation programme in the mid 1970s.

He was regarded as a leading supporter of the free market policies now embraced by the term Thatcherism.

He was also a founder member of the Foundation for Business Responsibilities, which subsequently conducted studies into business ethics and the effect of business on the environment.

Sir John joined Associated Portland Cement – later renamed Blue Circle – in 1934, having first worked for the Reiss family cotton business, and then briefly for a US bank and an insurance company.

His first job for Associated was to assist with the delivery of wages, for which he was paid £3 a week.

He was chairman of Blue Circle from 1957 to 1974, during which time the group substantially increased its overseas cement business to become the world's second largest cement producer.

He was described by colleagues as a sensitive, cultured man, who held many liberal views as well as being a dedicated supporter of free market economic policies.

CORRECTION

Nobel prize

In our survey LEP and Big Physics, published on Monday November 13, it was incorrectly stated that Mr Aldo Michelini, a senior Cern physicist, had won a Nobel prize. Mr Michelini has never received such a prize.

BAT closure costs Liverpool 470 jobs

By Ian Hamilton Fazey, Northern Correspondent, and Nikki Tait

BRITISH-AMERICAN Tobacco, the cigarette-making subsidiary of BAT Industries, is to close its factories in Liverpool and Amsterdam and transfer to Southampton and Brussels. The company's largest European operations, which are in West Germany, will be unaffected.

The rationalisation will be a blow to Merseyside, where 476 jobs will be lost in an area that has 14 per cent unemployment. Some of the 123 workers employed in Amsterdam will be offered jobs in Brussels.

BAT's move comes in the wake of a £13.5bn bid, now lapsed, from Sir James Goldsmith's Hoylake consortium. The conglomerate denied yesterday that it was a response to Hoylake's sharp criticism during the bid of BAT's record on its tobacco interests. BAT said the decision was taken before the bid was launched in July.

BAT also declined to quantify the short-term costs of the closures, but said they would not affect figures for 1989. The Liverpool factory is not likely to close officially until September 1990, it said.

The decision on the factory – BAT's oldest in Europe and dating from 1916 – is in spite of £20m of investment since 1983. Difficulties with labour relations have not arisen but production was limited to short runs, making the factory the company's most expensive in Europe.

"The site and layout are wrong and we would have needed to knock the factory down and start again to make it profitable," an official said yesterday.

Liverpool's capacity of 4bn cigarettes a year will be transferred to Southampton – where production will rise from 11bn to 14bn cigarettes a year – and Brussels, which will take the rest.

BAT's spare capacity in the Brussels plant, which employs 370 people, will be taken up by the Amsterdam and Liverpool volume it will get. Production will rise from 5bn to 9bn cigarettes a year.

The Liverpool cigarettes are all export brands for Africa, the Middle East and the Far East. The company said that while European sales were flat overall, there was still growth in some countries and worldwide sales were growing in several markets.

BAT's West German factories are in Bayreuth and West Berlin, where 2,700 employees produce 30bn cigarettes a year. It closed its Augsburg factory last year.

About 20 jobs will be created in Southampton to add to the 800 already there. The city also houses the company's research and development department. Some of its London head office technical departments will also be relocated to Southampton during next year.

BAT's plant in Corby, Northamptonshire, will carry on. It employs only 40 people and is highly efficient.

BAT said it will turn over the Liverpool factory to the Merseyside Development Corporation and will consider putting money into converting it for job creation schemes.

Production will stop at the affected factories next spring, with final closure in autumn 1990.

CL-ALC joins growing UK equities exodus

By David Waller

CL-ALEXANDERS Laing and Cruickshank yesterday became the latest London securities house to pull out of market-making in UK equities, with the loss of up to 20 jobs.

The move follows ANZ McCaughan's decision last week to close its UK equity operations, shedding 150 jobs. Also last week was the Canadian Imperial Bank of Commerce's closure of its stock-broking operations with the loss of up to 65 jobs.

CL-ALC, acquired 18 months ago by Crédit Lyonnais, the large French bank, will still employ about 500 people in London.

The company said it remained committed to being a securities house, concentrating on European equities business, agency operations for UK shares, and corporate finance.

CL-ALC's move is the latest response from the London securities industry to severe overcapacity in the UK equity market.

Going good for gold as market bucks the trend

David Blackwell analyses the precious metal's rise

GOOD news for the world is generally bad news for gold, as one City analyst put it yesterday. Yet at a time of relative political and economic stability, the price of gold is rising strongly.

Its performance this week has taken the City by surprise. Gold broke through the $400 (£256) barrier for a troy ounce on Tuesday and has remained on the upward path.

It also has a lot of potential to go higher, according to Mr Robert Weinberg, head of international mining sales at the James Capel securities house. He said that worldwide inflation was under control, with currencies and the political situation relatively stable.

"If all this bad news [for gold] cannot depress prices, it's an early warning of a bull market."

Yesterday the London bullion market closed with the price at $416.25 a troy ounce, the highest level since December 23 last year. That marks a rise of nearly $60 an ounce since the recent low of $356.50 an ounce on September 15. "You have to go back a hell of a long way to find a run off the bottom like that," one trader said yesterday.

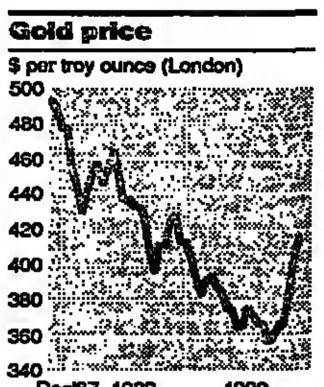
Mr Alan Baker, deputy managing director of Sharps Pixley, the London bullion broker, said: "The market has risen a lot further and faster than a lot of people expected. It has broken out of a two-year down trend and is drawing in a lot of old customers who had been inert. Now it is feeding on itself."

Ms Rhona O'Connell, precious metals analyst with the Shearson Lehman Hutton financial services group, traces the beginning of the run back to the collapse of the financing for the buy-out of United Air Lines, the subsequent Wall Street "crashette" last month, and the resignation of Mr Nigel Lawson as Chancellor.

Those factors provoked a pick-up in gold market volumes, she said yesterday.

Gold price

$ per troy ounce (London)



Since then, it has developed a momentum of its own. Some buyers have been waiting on the sidelines for the market to pull back, but that has not happened. Ms O'Connell said they were still potential customers in the market. She added that there had been very little speculative buying – "virtually all of it has been from firm-handed investment buyers."

After Black Monday in 1987, gold prices blipped upwards but soon settled back. Mr Baker said that brought "a great deal of disappointment" to the market. However, this time things were different.

"Equities are not looking very promising. There is a lot of money in the hands of institutions, and it does not need a lot of their funds to influence what is a relatively small market in a big way," he said yesterday.

Ms O'Connell said disillusion with gold took many institutional investors out of the market last year. Some Swiss banks are believed to have less than 3 per cent of gold in their gold-bearing portfolio accounts – against a traditional weighting of between 5 and 10 per cent. However, she said she now had no doubt that some European money managers were covering themselves against being underweight on the amount of gold they are carrying, rather than against short positions.

In addition, the political upheavals in Eastern Europe have prompted managers to diversify away from West German bonds.

Demand in the Far East, where sales of jewellery have been strong this year, is also providing a spur to prices. The Tokyo market has been routinely adding a couple of dollars to the New York close this week, Mr Baker said. "It's one way all the way out there."

Yesterday gold futures on the Tokyo Commodity Exchange for Industry (Tocom) traded a record 104,289 lots, breaking the previous record, of 90,467 lots on Wednesday. One dealer described the buying as "crazy." The Hong Kong market was also hectic.

Predictions as to where the price will go now vary widely, although the next target area is the low $420s. Yesterday the so-called "Golden Cross" occurred after the London afternoon "fix" was set at $415.80 an ounce. That took the 200-day moving average of the fix above the 50-day moving average, which might trigger further buying next week.

"That will have the computers salivating across the world," said Mr Andrew Smith of UBS Phillips & Drew. He believes that three conditions for a bull market have been fulfilled – financial shock, producers not selling into price rallies, and US interest rates beginning to come down. "If it breaches $424 an ounce, then it's daylight all the way to $460," he said yesterday.

Mr Weinberg, of James Capel, added a note of caution. "The difficulty is to prevent ourselves becoming over-enthusiastic." The sentiment was echoed by Mr Nick Moore, of Ord Minnett, the brokerage house, who is sticking to his forecast for an average price next year of $375 an ounce.

Markets review, Page 15

Land Rover concludes deal on pay

LAND ROVER has reached a 10-month pay deal with its 6,000 workers that raises basic wage rates by up to 15 per cent. The deal includes a 6.9 per cent increase in the pay bill, along with the consolidation of bonuses.

Next November, Land Rover workers will start negotiating pay jointly with workers in other parts of the Rover Group. The deal, which was accepted in a ballot by 3,653 to 1,643, is intended to harmonise pay structures.

The company said the pay deal would raise the basic weekly pay of the biggest group of production workers from £166.05 to £184.20. However, about £11 of this would come from the consolidation of a production bonus.

Under the deal, which coincides with the second stage of a two-year pay deal for Rover car workers, Land Rover workers will be paid a £7.50 a week productivity bonus, and a quality bonus of £4 a week.

The company has also bought out a longstanding attendance allowance by giving workers two lump sum payments of £165 and £250, and made the eligible to take part in a Rover profit-sharing bonus scheme.

Meanwhile, production at Ford's Dagenham plant was halted by an unofficial stoppage by 4,000 manual workers.

NUT elects deputy with support of left

Ms Mary Hufford, a candidate with hard left support, has been elected deputy general secretary of the National Union of Teachers, in a surprise result which could embarrass the union's moderate leadership.

Ms Hufford, a teacher from Leicester, will have to work closely with Mr Doug McAvoy, the NUT's new general secretary, who has been keen to bury the union's reputation for militancy.

Mr McAvoy was last night trying to downplay the significance of the result: "Mary Hufford will join a very experienced team of headquarters officials who are all committed to promoting the union in the manner and with the approach on which I was elected," he said.

Police warning

THE Police Federation, which represents ranks up to chief inspector, yesterday warned of growing unrest in the force at a time of increasing interference by the Government and the Home Secretary in its negotiating machinery.

Lecturers back strike action over pay offer

By David Thomas, Education Correspondent

FURTHER education lecturers in more than 400 colleges have voted for strike action and an exam boycott in their pay and productivity dispute with local authority employers.

However, Natfhe, the college lecturers' union, is due to meet today to consider the employers' plea to suspend further action until after December 11, when the employers have offered to re-open negotiations.

The 55,000 lecturers in further education colleges and adult education institutes have been offered 5.3 per cent tied to productivity conditions for a settlement due last April.

However, the local authority employers have acknowledged that the pay offer would need to be increased in the light of recent settlements.

On a 52.6 per cent turnout, 18,092 lecturers (63 per cent of those voting) backed strike action and 18,916 (65 per cent) supported a ban on exam marking and continuous assessment.

Natfhe said yesterday that a one-day strike would be held on December 7, every college would be given authority to hold local strike action and the exam and assessment ban would be introduced on December 11 - unless the union accepts the employers' request for a suspension of action pending further talks.

The sector offers a large number of vocational courses to students, many of whom are sponsored by their employers to attend college part-time. Natfhe estimates that some 3m students pass through the sector each year.

Natfhe's members in the sector have already held a one-day strike in October.

Mr Geoff Woolf, Natfhe general secretary, said the ballot results demonstrated his members's anger at the employers' offer, which he described as "insulting".

Separately, Natfhe is in the middle of complex pay and productivity negotiations affecting 23,000 lecturers in the polytechnic sector, where the union has already called an exam boycott.

Engineering companies extend incentive schemes

By Our Labour Editor

ABOUT a quarter of south-east engineering companies have introduced performance appraisal schemes for their manual workers, a survey has found. The result indicates the growth of merit schemes even in traditional industries.

The survey of 202 engineering companies found that most were still operating traditional incentive schemes such as piecework as attendance bonuses, although a fifth were considering innovations because of production changes.

The Engineering Employers London Association, which carried out the survey, said the proportion of companies that used standard incentive schemes was surprisingly high. It had expected more to have changed payment structures.

Eighty three of the companies reported having merit or performance appraisal schemes. The proportion did not increase with the size of the company in the way that the association had expected.

Mr Brian Young, association assistant director, said one surprising finding had been that about 17 per cent of companies were still paying attendance bonuses, which grew last decade in the era of pay restraint.

He said companies had given a variety of reasons for considering changes in their traditional incentive schemes. These included:

- A belief that an existing scheme had outlived its usefulness because capital investment in parts of a plant had imbalanced the payments to different groups of manual workers.
- Wanting to change the form of the existing incentive scheme because it was no longer providing effective motivation.
- A need to change payment structures because the introduction of new methods of work organisation such as just-in-time had made them less relevant.

About 30 per cent of companies using incentive schemes were applying traditional payment by results systems of piecework, standard times, or measured day work.

The most common form of scheme was one involving standard time measurements.

In about half of the companies paying incentives, bonus payments represented no more than 10 per cent of total pay. About 75 per cent of the companies surveyed recognised trade unions.

Incentive Pay for Manual Workers; Engineering Employers London Association, EELA House, Station Road, Hook, Basingstoke, Hampshire RG27 9TL; £20.

"Where do I check in?"

"I've left my ticket in the taxi."

"Which gate is my flight?"

"My luggage has gone through and I need something from it."

"My car's outside on double yellow lines."

"I think that's my plane taking off."

"My canary's escaped."

"Can I get a coffee around here?"

"I can't do my zip up."

"Can I get into New York by helicopter?"

"What time do we get there?"

"Just how wide are the seats?"

"Do they have nappies on board?"

"Where do I get a newspaper?"

"Do they sell Russian vodka in duty free?"

"Where's the Ladies?"

"Where's the Gents?"

"Where have all the trolleys gone?"

"Is the Pink Poodle Club on 48th Street or 49th?"

"Do we get to see where the pilot sits?"

"What happens if it's full?"

"Where can I get an oil filter for a 1965 Hillman Imp in Chicago?"

"Do they take traveller's cheques in duty free?"

"Where's the London desk?"

"What do I do with this?"

"Can I go through to the Departure Lounge now?"

"Where is the Departure Lounge?"

"They've put the wrong name on my ticket."

"Can I get a bassinet for my baby?"

"I'm looking for some string."

"Does my camera have to be X-rayed?"

"I've just noticed my passport's out of date."

"I need an aspirin."

"Kann ich am J.F.K. Flughafen direkt zum Flug nach Chicago umsteigen?"

"Where's the Ambassador Lounge?"

"Do I need a Visa?"

"Can I take these as hand-luggage?"

"Can I change to a later flight?"

"What do I do now?"

"I have to phone my wife."

"Is there a phone anywhere?"

"Είναι ο Πήτερ Άιζντελ-Κάρπεντερ εκεί;"

"Anybody got a pen?"

"What time is it?"

"Is New York ahead or behind?"

"Can I hire a car there, from here?"

"Is it sunny in Los Angeles?"

"Will my hair dryer work in Minnesota?"

"I can't find a porter."

"My aunty's gone missing."

"Will they have any dominoes on board?"

"Are there any seats in non-smoking?"

"What's for dinner in First?"

"What film are they showing?"

"Is there a nice restaurant in Toledo?"

"How do I get into town from JFK?"

"My case is too heavy."

"How far is Philadelphia?"

"Is it on time?"

"Can I change this non-changeable ticket?"

"Can I choose my seat after I get on board?"

"I'd rather sit at the back of the plane."

"Can I order a special meal?"

"I can't find my boarding card."

"What star sign is the pilot?"

"I need to send a fax."

"Is there a wheelchair somewhere?"

"Is there a lift?"

"Do I have to be X-rayed?"

"Please, somebody."

"Which way now?"

"My seat's supposed to be reserved."

"Will they wait for me?"

"Can I change my money here?"

"What's going on?"

"How many bags am I allowed?"

"What's the code for Dayton, Ohio?"

"Is it too late to order a kosher meal?"

"What escalator?"

"Can I leave my rented car keys with someone?"

"Maybe someone will change seats with me?"

"Will we all be able to sit together?"

"Can my son sit in the cockpit?"

"Is it too late to change my flight?"

"Is it too early for the bar?"

"Will there be any film stars in First Class?"

"Who won last night's ball game?"

"I didn't hear that."

"Is it are not my wife's ticket here to pick up. ¿Qué?"

"How do I make my connection in New York?"

"Help!"

TWA give you someone to buttonhole.

We've been listening to some of the questions that get asked at the airport. (See above.)

And having listened, we've come up with an answer. In fact, a whole host of answers.

The TWA 'White Coats'.

A team of young men and women whose job it is to be on hand at our Heathrow and JFK terminals looking for problems.

Your problems. (See above.)

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The case for overkill

AS THE NEW tenant of the embattled fortress on Great George Street, Mr John Major has given the signs of being a man who wishes to feel his way into the new job. This is perfectly understandable, yet it may prove a disastrous mistake. If Mr Major is to act effectively, he has to act soon.

The Chancellor has been quite fortunate during his brief tenure. The trade figures, in particular, were not as bad as feared by many, even though this merely shows what the UK has become used to. Some features of the balance of payments are even encouraging.

The volume of non-fuel exports, excluding the so-called erratic items, is up 10 per cent over the year and 3 per cent over the latest quarter. Encouragingly, imports were up by less – by 8 per cent and 1½ per cent over the two periods respectively. If this export performance can be maintained (or, better still, improved as domestic demand slows down still further) and the growth of imports continues to decelerate, the external position forecast for next year in the Autumn Statement – a current account deficit of £15bn – becomes perfectly credible.

The buoyancy of exports is particularly pleasing. It suggests that there has, indeed, been an improvement in the underlying performance of manufacturing industry during the 1980s, the main problem last year being the growth of domestic demand. Despite the dreary whingeing at the CBI conference, many businessmen are doing a good job of expanding exports.

Exports growth

For next year, the Treasury forecasts growth in the volume of exports, less oil, at 6½ per cent, well below the likely rate for 1989. There is no good reason why exports should not do that well. Given the weakness of the pound and the expected buoyancy of the economies of western Europe, they could do better still.

The significance of the current account should not be exaggerated. A country that maintains a strong net overseas asset position (the latest estimate being that net overseas assets were 19 per cent of gross national product, a higher ratio than for either Japan or West Germany, at the end of last year) should be able to attract inward finance on the required scale.

The deficit is a serious problem only to the extent that the cost of financing it is prohibitive from the domestic perspective. For the moment, however, there are sound domestic reasons for maintaining interest rates at their current level. Given the desire for a degree of exchange stability, the external deficit has provided an opportunity for a more appropriate domestic monetary stance than two years ago.

It is on the domestic, not the international, side that the Chancellor has real worries, all on the side of the economy's not slowing down quickly enough. October seems to have been a relatively good month for lending, but the annualised six-month growth of M0, the former Chancellor's favourite monetary indicator, is 7.9 per cent. Meanwhile, the growth of all the broad money aggregates remains not far short of 20 per cent a year.

Disturbing jump

The preliminary estimates for GDP in the third quarter add to the picture of a fairly strong economy, with output up by 1 per cent over the previous quarter. Meanwhile, last week saw a disturbing jump in retail price inflation, excluding mortgage interest payments, to 6.1 per cent over the year while wage settlements are now between 1 and 3 percentage points higher than a year ago.

Last, but surely not least, sterling is sliding steadily downhill, closing just below DM 2.82 yesterday. Sterling has now lost 47 pfennigs in the nine months since the end of January. Over the same period the effective rate has depreciated by 12 per cent. Such a depreciation may be welcome to exporters, but it does nothing to help satisfy the Government's "judge and jury," the rate of inflation.

The worst thing for the Government would be for next year not to be bad enough. The rate of inflation, especially wage inflation, must be on a firm downward trend a year from now. If it is not, the opportunity may be lost. The higher rate of inflation would be entrenched and time would also be running out before the next election.

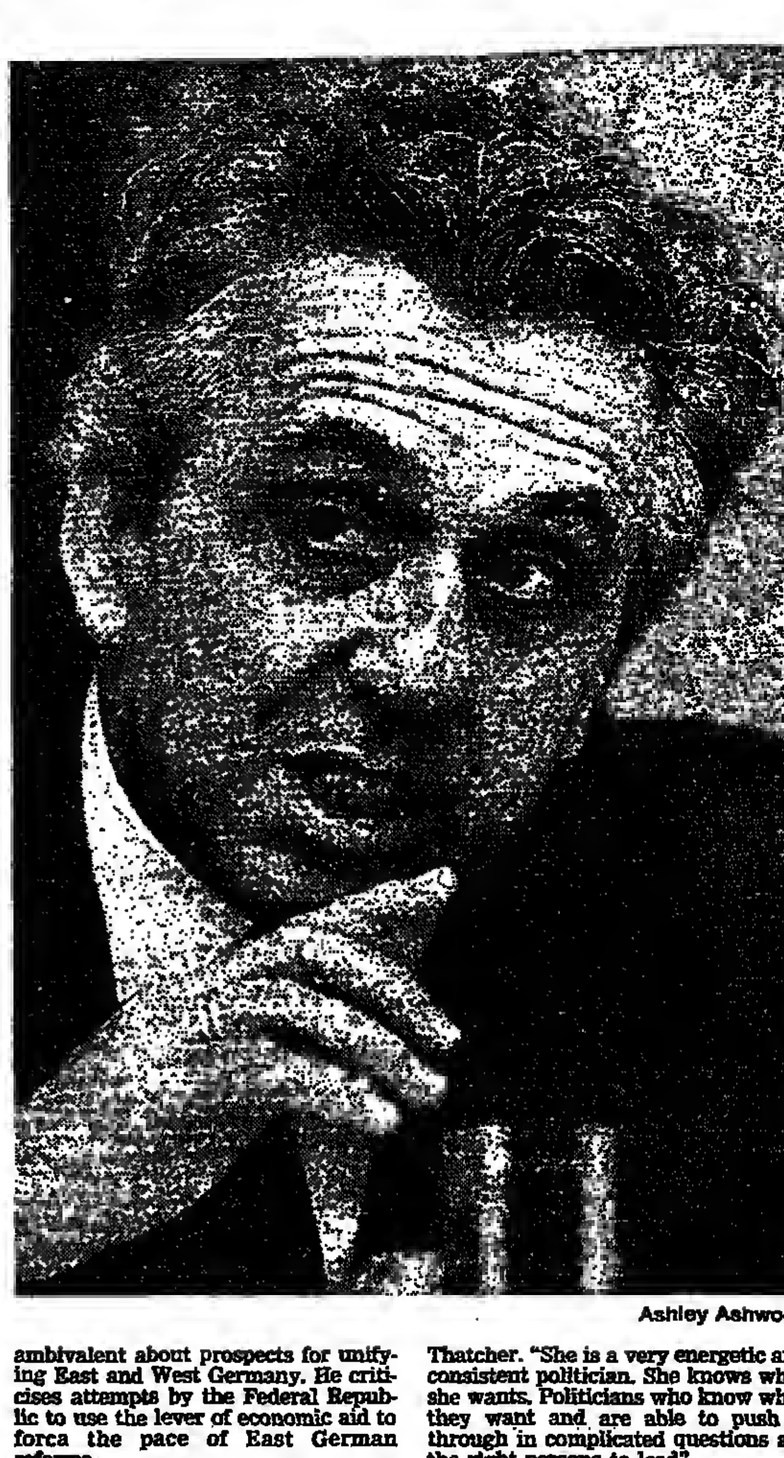
Mr Major may face a choice between still higher interest rates now and lower interest rates in 1991 and 1992, on the one hand, and consistently high interest rates throughout, on the other. Given both the political timetable and the economic importance of knocking the incipient wage price spiral on the head, decisive action now may be the better course.

It does not really matter if the justification for a tighter monetary and fiscal policy is the fall in the exchange rate, the monetary indicators, or inflation itself. They are all – happily or unhappily – pointing in the same direction. For Mr Major valour is now the better part of discretion.

MAN IN THE NEWS

Leader who knows what he wants

Egon Krenz talks to **David Marsh, Leslie Colitt** and **Geoffrey Owen** about the future of East Germany



Ashley Ashwood

Mr Egon Krenz, the East German leader, has climbed to the top of the party ladder in what has always been one of eastern Europe's most rigidly Communist states.

Now, a month into the job of presiding over a country rapidly shedding Stalinism, Mr Krenz has adopted with remarkable speed ways and wiles reminiscent of a western politician on the election trail

"Of course I have self-confidence," he affirmed with a rumbling laugh yesterday in the headquarters in East Berlin of the Socialist Unity Party (SED), the communist party.

Referring to the SED's special party congress in three weeks' time – at which he could well be ousted by grass-roots party dissent – he said there was only a "small" chance that he would not be re-elected.

"Without self-confidence, I couldn't go to the party congress. A lot of foreigners come to us and say the mood (in the party) is awful. I would say that the mood is of two types: doubt and hope. The doubts, we will certainly overcome. And the hopes, we will strengthen."

Mr Krenz, a bespoke-suited 52-year-old with perpetually dark rings round his eyes, exudes a mixture of toughness and bonhomie. Compared with his introverted predecessor, Mr Erich Honecker, who was forced out after 18 years' rule and now faces an investigation into party irregularities, wavy-haired Mr Krenz has the touch of a showman.

Yesterday, he cast aside doubts about the future of Communist rule in East Germany, insisting, "This land is a socialist country and will remain a socialist country."

Beset by a rising tide of fugitives to West Germany and mounting demonstrations for political reforms, Mr Krenz won breathing space by opening the borders a fortnight ago for travel to the West. Economic pressures are however increasing and tha street protesters have not gone away.

One of Mr Krenz's favourite sayings is: "The people are sovereign." The people of East Germany, their frustrations now bubbling over after 40 years of Communist misrule, have not yet had their final say.

The party leader is presiding over a series of political changes which are to culminate, at some stage in the next 18 months, in the country's first free elections. Round-table talks between the SED, the four existing parties – up to now compliant partners of the Communists – and the fledgling opposition groupings are to take place in the next few weeks to prepare changes in the constitution and a new electoral law.

Mr Krenz said yesterday that the poll was unlikely to take place before the end of next year. He hints at benefits to the SED, resulting from the lack of organisation and experience of the opposition. "There are different interests. Some parties are pressing for elections to be held rapidly. Other political groups which have been formed and want possibly to take part in elections . . . want the date to be delayed so they have time to prepare."

"I am not ready to speculate on whether or not the SED will go into opposition." He admits that, if elections were held tomorrow, "less people would vote for us than 10 years ago." According to soma well-informed estimates, in a free poll the SED would gain no more than 10 per cent to 30 per cent of the votes.

He concedes that 50,000 to 60,000 of the SED's 2.3m members have left the party. But he points out, with the easy tones of one used to power: "We are still the strongest party in the country."

As a member of the Politburo since 1983 – where he was Mr Honecker's deputy in charge of security – Mr Krenz can hardly escape responsibility for East Germany's most serious crisis in its 40-year history. His support for the Chinese Government's crackdown against pro-democracy demonstrators in June, and his part in alleged rigging at East Germany's municipal elections in May, hava added to his problems of credibility.

Mr Krenz sighs audibly and talks about "consistency" and "a programme of renewal" when asked about his lack of plausibility. Tackled about the May elections, he says:"I have a clean conscience."

He says the electoral commission of which he was chairman contained representatives of all the parties; results were based on computer returns; and that to challenge the outcome would cast doubts on the honesty of 300,000 electoral counters around the country. Debate is anyway now academic as all the voting slips have been destroyed, as laid down by law, he adds earnestly.

Mr Krenz bluntly rejects rumours about some of his personal characteristics which have added to his general unpopularity. Asked whether he drinks too much, he replies with good humour: "I am not an alcoholic. I have nevar had any problem with this, and I hope also in the future not to have any."

He says he has been the victim of malicious "rumours" spread as part of a "concerted" campaign about him three or fours years ago. "The source, I do not know." (He adds that he does not think it was Mr Honecker).

Mr Krenz is clearly on the defensive after popular criticism of privileges enjoyed by top SED functionaries. Yesterday, he drove the message home: "I am not ill, I have not submitted to en operation in the US, I own no hunting reserve, no dacha and no foreign currency account."

Keen to project an image as an ordinary "citizen of the republic," Mr Krenz now drives a mundane Lada car around Berlin. He appeared on East German television at the weekend in his modest new home in the Berlin suburb of Pankow, after moving out of the Politburo's much-criticised luxury settlement outside the city.

Mr Krenz is elusive about the part played by Mr Mikhail Gorbachev in bringing him to power last month. Talking of the Soviet leader's policies of glasnost and perestroika – sternly resisted by Mr Honecker and the SED's now-departed septuagenarian old-guard – Mr Krenz says: Our mistake was not to have analysed these processes enough and to have drawn the right conclusions from them."

Mr Krenz denies that the SED's forcing out of Mr Honecker last month, just after Mr Gorbachev's visit to East Berlin for the country's 40th anniversary, was "significantly influenced" by Moscow. But he points out that Mr Gorbachev gave clear notice of dissatisfaction with Mr Honecker by telling him last month that delays in reforms could be "punished by life itself."

Mr Krenz is also tantalisingly ambivalent about prospects for unifying East and West Germany. He criticises attempts by the Federal Republic to use the lever of economic aid to forca the pace of East German reforms.

"For the near future, I see the necessity for two independent German states." Under present circumstances, he says, German unity is not on the agenda – and if it was, it would destabilise Europe. Longer term, however, he indicates that the question cannot be ruled out, depending on the "framework of the common European home."

Facing an uphill struggle in learning the new political rules, Mr Krenz yesterday drew some inspiration from a chance remark about Mrs Margaret Thatcher. "She is a very energetic and consistent politician. She knows what she wants. Politicians who know what they want and are able to push it through in complicated questions are the right persons to lead".

Flashing ona of his glad-handing smiles, Mr Krenz says, "You know opinion polls from many countries show that some politicians are popular, some are less so. But sometimes you see that the unpopular ones are still elected, and the popular ones are not."

The unpopular Mr Krenz undoubtedly knows what he wants. The East German electorate – if it comes into being – will now have to discover if it shares his views.

"SOCIALISM as an idea, as a system of society, is the only alternative to the unsocial system of capitalism," Mr Krenz declared yesterday. "What we plan is not a path between socialism and capitalism, but a path of real socialism."

None tha less, Mr Krenz made clear that his concept of a "socialist planned economy" aims to upgrade considerably the role of the market. "If one doesn't respect the laws of the market, then one doesn't consider the needs of the people." Signals from the domestic and foreign markets would have far-reaching consequences. Central planning, however, would continue to set the "decisive priorities."

The East German leader said central planning had been dominated by administrative commands. This was part of the system which reached its apex under Mr Günter Mittag, the now-disgraced former economic chief in the Politburo. In a move which is likely to be highly unpopular, Mr Krenz said "consideration" was being given to lowering subsidies which did not serve a "social purpose." Subsidisation of most basic goods cost about a quarter of the state budget.

Central government's "stifling control" of the Kombinate (the more than 300 big industrial trusts which dominate the economy) would have to "disappear." Managers would be given greater scope for individual decisions. "They will truly be able to act as captains of the economy," Mr Krenz suggested.

Although there might be opportunities for western capital to be brought into East German companies, he underlined his clear reservations about thoroughgoing privatisation. "I cannot imagine that a large Kombinat would be turned into capitalist property."

However, the "socialist entrepreneurial spirit" was not conceivable without "risk-taking." The earnings of the Kombinate and other companies must be decisive for the "fate" of a director. A "certain portion" of workers' incomes might be made dependant on the "profitability of their company." The private sector would be given "significantly greater attention" than before, along with co-operatives.

Mr Krenz said the leadership could well allow private entrepreneurs to re-enter the industrial sector, especially as producers of consumer goods. The sensitive question of how many people a private manufacturer could employ had not yet been decided. "Private initiative should benefit the population," he noted.

He indicated that private producers and co-operatives could play an important role as medium and small-size plants which co-operated with the Kombinate, especially in producing consumer goods and as components suppliers.

Mr Krenz's economic problems have been exacerbated by the opening of the country's borders on November 9. Speculation in goods and money is to be combated by new regulations which went into effect yesterday. East Germans will only be able to buy certain goods such as children's clothing, cameras and electronics after showing their identity cards. The East German leader said that otherwise the opening of the borders was in danger of being "misused by speculators."

Referring to one of the most radical features of his economic reform plans, Mr Krenz said that all forms of co-operation, including joint ventures, with western companies were now under consideration. "The sole criterion is efficiency . . . I want to emphasise that we are open to all economic partners."

Mr Krenz proclaimed that free convertibility of the GDR Mark was one of the most important elements in forthcoming economic reforms. Some of his own experts however are predicting that this could take 10-15 years, a reminder that the East German economy – whoever leads the country – faces a long haul.

The Speaker

Man in the middle faces up to testing new role

By Malcolm Rutherford

This week brought a new dimension to British politics, and I do not think that anyone who has seen or participated in the televising of tha House of Commons will expect there to be any turning back.

Parliamentary debates and Question Time have become more accessible to the electorate. We shall see the results in due course – who gains and who loses – and no doubt there will be some surprises along the way. Mr Ian Gow, the Tory MP for Eastbourne, for example, who made the first televised speech and is opposed to the cameras, came out as rather a star.

There is another potential change, however, about which there has been less comment. It concerns the role of the Speaker – the man in the wig who sits in the middle and acts as a kind of umpire: currently the Rt Hon Mr Bernard Weatherill, the Tory – but, by the nature of his office, impartial – MP for Croydon North East.

Television has made the Speaker into a public figure who must be seen on the screen to adjudicate impartially. Many of the outside judgments on the merits and effects of televising Parliament will depend on him.

The Speaker's role has always been important, though probably in a way not well understood by the general public. He not only presides over keeping order in the House, he also has representational functions. It is he who entertains some of the most senior visiting foreign politicians, as well as the more junior, for it is part of the Speaker's job to get on with the lowly as well as the high.

He has splendid apartments in the House of Commons itself. When I was young and there was not much security, I used to go and stay there in the summer holidays with a friend whose father was Speaker at the time.

When Parliament is in session and the Speaker moves along the corridors, everyone else has to stop in their tracks until he has passed. This ritual is taken with great seriousness, as I know to my cost: I tried to breach it once, when in a hurry. The House of Commons policeman was not pleased.

So much for the ceremonial. The Speaker also has power. He has the power to "name," or expel Members from the house for a limited period if their behaviour in the Chamber goes beyond the bounds of the acceptable. Ultimately it is the Speaker, relying partly on precedent and partly on his own judgement who decides what is acceptable.

It is the Speaker who decides whether to grant requests for an emergency debate. That role is less important when the Government has an overwhelming majority. But it did matter in the winter of discontent in 1978-79 when the Government's majority was negligible and the granting of an emergency debate could be another threat to the Government's existence. It can matter at any time when political tension is high: for example, during the last miners' strikes.

The Speaker also decides whom to call from the back benches, both in debates and at Question Time. He does so on a number of grounds. Privy Counsellors normally have priority: they are the people addressed as "The Right Honourable" and hava usually been either fairly senior Ministers or leading members of the opposition parties who have been privy to official information and have taken the oath of secrecy.

But even Privy Counsellors can be quietly taken aside by the Speaker and told not to overdo it by standing up to be called too often. Thus Mr Julian Amery, the MP for Brighton Pavilion, was advised by the previous Speaker, now Lord Tonypandy, that he was taking undue advantage of his privilege.

Other reasons for calling MPs to speak are constituency and special interests, frequency of attendance, encouraging new Members, and producing some sort of regional and inner-party balance. In a debate on the common fisheries policy, it would be natural to call the Member for Grimsby. If there were a train crash in York and the Transport Secretary was making a statement, the Member for York would be among the first to be called. If ICI announced closures, the Speaker would call a Member with an ICI plant in his constituency on any relevant occasion, like Prime Ministar's Question Time. And in a debate on law and order an MP such as Sir Eldon Griffiths, who has been a consultant to the Police Federation, would be unlikely to be overlooked.

All of these considerations have to be borne in mind by the Speaker. It is not an easy task even at quiet times, not least because more people want to speak than tims allows. The task will be much harder now that the proceedings are televised.

Take the constituency interest alone. Back bench MPs who know that they will seldom get into the national press have always taken their local papers very seriously because that is where their voters are. They will want to be shown on local television even more. So the competition to speak will become stronger.

There have been only seven Speakers since 1943. Perhaps the most distinguished was "Shakes" Morrison (1951-59) – "Shakes" because he could quote almost the whole of Shakespeare by heart.

There was also Selwyn Lloyd (1971-76), a middle class lawyer from Liverpool with a slight stammer who was Foreign Secretary at the time of Suez and was sacked by Harold Macmillan as Chancellor of the Exchequer. That helped the Labour Party to take to him when he made his come-back in the Speaker's chair.

He was succeeded by Mr George Thomas (1976-83), once an acolyte of Harold Wilson who was arguably too kind to the Tories when he was Speaker. He became a national figure, or rather a national voice, through saying "Order, order" when live broadcasts began on radio. He is now Lord Tonypandy.

The present Speaker, Mr Bernard Weatherill, faces a much harder challenge. Under the still experimental rules, the cameras have to switch to him whenever there is an altercation on which he may have to rule – and be seen to rule. Like Lord Tonypandy, he is a nice but rather nervous man, perhaps somewhat over-impressed by the trappings and traditions of the office. Before he became an MP he was in the family tailoring business in Savile Row. The highest job he reached in government was Deputy Chief Whip.

Mr Weatherill seems set to stay, at least until the next general election, coping with the challenge of a role which has changed substantially since he was elected.

John Plender considers the issues raised by Cecil Parkinson's shareholdings

The rules on ministers' investments

Mr Cecil Parkinson, the Transport Secretary, did not know what was being done in his name, according to his solicitor Mr Peter Carter-Ruck earlier this month. But the speculative investments carried out on his behalf by his broker, revealed in a Channel Four programme this week, raise a number of questions about his conduct and about the private interests of Government ministers generally.

It was Mr Parkinson who as Secretary of State for Trade and Industry introduced the legislation which made insider dealing illegal in 1980. The Channel Four programme – called "At *the mercy of the unscrupulous*," a phrase taken from one of his own speeches at the time – revealed, ironically enough, that the first major investigation by his department into insider dealing probed the affairs of Mr Parkinson's own broker, Walter Walker, and of a company in whose shares the broker had dealt on the Trade Secretary's behalf in the period under investigation.

That company was Suter, an engineering group run by Mr David Abell, whose first takeover coup involved the purchase of the Prestcold refrigerator company from British Leyland. British Leyland was at that time controlled by the Government in which Mr Parkinson was a minister.

The minister is said to have continued to use the services of this less than top-flight broker for the next seven years and to have profited from other share dealings relating to the activities of Suter – which remains the subject of a Department of Trade investigation – and Mr Abell.

Is it enough that Mr Parkinson did *not know what transactions had been* undertaken on his behalf and merely followed the rules? In practice, it is not entirely clear to the public what those rules are. On taking office ministers are presented with a document entitled "Questions of procedure for ministers" covering matters ranging from ministerial travel to cabinet proceedings. A small section of the document concerns ministers' private financial arrangements. According to a former very senior Whitehall official, its basic message, is that "ministers are required to so order their private affairs that no conflict arises between their private affairs and their public duty." But the official warned that the document is updated by every prime minister, and that its exact wording has almost certainly changed since he saw it.

Two former Conservative ministers to whom I spoke this week confessed that they *could hardly recall the section* because they owned no shares when they took office – an odd reflection on the government's commitment to wider share ownership. A Cabinet Office spokesman, meantime, told me apologetically that the document was confidential. The only public indication of what it might contain, he indicated, was in a rather elderly Cabinet Office memorandum to the 1975 Royal Commission on Standards of Conduct in Public Life, which was set up after the Poulson scandal involving bribery of local government officials. Though this predates Mrs Thatcher's time in office, it is the best indication available of *what the current rules might be.*

The memorandum states that there may be exceptional cases relating to ministers' private investments where "the actual holding of particular shares in companies closely associated with a minister's own department may create the danger of a conflict of interest."

"Where a minister considers this to be the case," it adds, "he should divest himself of the holding. There may also be less clear cut cases where a minister would feel it appropriate to place his holding in the hands of trustees."

"Ministers," it continues, "should scrupulously avoid speculative investments in securities about which they *have or may be thought to have early* or confidential information likely to affect the price of those securities."

Given the sensitivity of the Trade Secretary's position in relation to all corporate activity, the case for handing a share portfolio over to trustees was obviously a strong one. Instead, Mr Parkinson gave full discretion to his broker and chose not to move his portfolio to a more establishment firm.

Since he has not commented on what information his broker gave him about the contents of his portfolio, it is impossible to make any direct judgment about Mr Parkinson's management of potential conflicts of interest. But given the speculative nature of his broker's dealings and of their involvement in controversial DTI investigations, it is hard to disagree with the Channel Four programme's verdict that the Transport Secretary *made a serious error of judgment.*

Whether, as the Labour MP for Workington Mr Dale Campbell-Savours argues, that amounts to a case for tightening the rules is a more complex question. A former ministerial colleague of Mr Parkinson's argues, not unreasonably, that ministers must be assumed to proceed on the basis of common sense and integrity. And the former Whitehall *official quoted earlier in this article* believes that if the Cabinet Office were to spell out more detailed rules in an attempt to 'stop up rabbit holes,' new rabbit holes would always emerge.

Others warn against a more rigorous regime involving the use of blind trusts. Tory backbencher Sir William Shelton, who like Campbell-Savours is a member of the House of Commons Select Committee on Members' Interests, puts it *rhetorically. How would you feel,* he wonders, about handing over a quarter of a million pounds worth of your own assets to trustees over whose decisions you had no knowledge or influence? And, of course, any rigid rules on divestment could result in losses if ministers confronted conflicts of interest when the stock market was down.

In the United States these things are handled differently. On taking office, President Bush appointed an ethics adviser who promptly pressured Secretary of State James Baker into divesting stock in Chemical Banking Corp, a New York bank weighed down with loans to the Third World and thus *potentially affected by Mr Baker's international debt strategy.*

Yet it is hard to see Britain's Cabinet Office adopting a more aggressive role of that kind in relation to ministerial conduct. Nor does it seem very plausible that any British government would insist on greater disclosure of ministers' financial interests or that the coded injunctions of the Cabinet Office should be policed. But is it really too much to ask that the government make its own guidelines public, in order to strengthen their impact and help ensure that conflicts are seen to be avoided?

In the absence of anything more satisfactory, the Channel Four programme has at least proved that investigative journalism is still an operative part of the checks and balances in the British system. Legitimate questions have been raised, not the least of them concerning *how the City, and more specifically* the Takeover Panel, conducts itself in relation to the affairs of aggressive share dealers and takeover merchants like Mr Abell.

As for Mr Parkinson, his political career has had some notable ups and downs. And his recent move to the Transport Department has been interpreted as a step into the departure lounge of the Cabinet. The initial reaction to this week's revelations suggests that, so far, he is down but not quite out. The Labour opposition will be sorely tempted to use his broker's share dealings to speed his exit.

Intentional timidity in the Oval Office

Lionel Barber reflects on an interview this week with President Bush at the White House

Shortly before 1.30pm last Tuesday, 10 foreign newspaper corrsspondents *stood outside the Oval Office* waiting to interview the President.

As armed Secret Service men looked on, the White House advance man did his best to line us up in alphabetical order, by country. "OK, Alex," he said to the reporter from Izvestia, "you're second from the back."

Mr Alex Shalnev uttered a mild protest as he realised that the United Kingdom representative would be last in line, and therefore would sit next to President Bush. "UK comes before USSR," said Mr Shalnev, "but no problem, you have the special relationship."

Somewhere in the background, General Brent Scowcroft, Mr Bush's national security adviser, was seen slipping into the Oval Office for one final word with the President, probably to give him the latest on the 12 Green Berets holed up in the *Sheraton*, San Salvador.

Finally the call came, and the tall, tanned figure of George Bush loomed into view. One by one we trooped in, shook hands with the President, and waited for the official White House photographer to take the statutory two-shots. Then we stepped past the same desk where Harry Truman proclaimed "the buck stops here" and took our seats around a crackling fire.

The White House staff had billed the half-hour session as a round-table discussion with the President, ahead of next weekend's meeting in the Mediterranean with President Gorbachev. Tape-recordings in the Oval Office were banned (we *forgot* to ask whether this rule was introduced before or after the Nixon Presidency), and so old-fashioned short-hand was *de rigueur.*

Because of the restricted time, the number of correspondents, and the ban on follow-up questions, the session was less a news-creating event and more a chance to gain a first-hand impression of the President.

For a politician, he seems unusually sensitive to criticism. The Democrats' use of the T-word – not taxes, timidity – has left him seething. "I discount that 99 per cent as pure gut American politics," he said, adding later with a touch of self-justification: "I'm *trying* to be 'timid' – prudent and cautious."

Mr Bush clearly believes that the disintegration of communism, while entirely welcome, has the potential for great instability. The US role, he says, is to manage this change. *The US should* acknowledge Mr Gorbachev's role in championing the reforms, encourage the process in eastern Europe – but above all it should avoid "flamboyant actions" which could lead to a backlash within the Soviet bloc.

It sounds, well, prudent. The problem is that this low-profile role, with its accent on diplomacy rather than rhetoric, does not play particularly well in American politics. The people – most of all the media –

For a politician, George Bush seems unusually sensitive to criticism

love a sense of theatre. Mr Bush knows he blew it on Berlin, and so do some of his officials. As one said recently, recalling the President's stony visage after being briefed on the opening of the Berlin wall: "Five minutes of Ronald Reagan would have bought us a lot of policy room."

At the same time, Mr Bush is clearly a good deal more fluent than his predecessor on foreign policy issues. Questioning Mr Reagan was a little like pressing an unguided missile button – it was hit-or-miss if he remembered the question, recalled one reporter. Mr Bush answered with confidence and clarity on questions ranging from the Soviet-Japanese dispute over the Kurile Islands, the desirability of Hungarian neutrality, and European monetary union.

The President clearly relishes going one-on-one with Mr Gorbachev. Perhaps this is his competitive nature – which applies as much to deep-sea fishing as to superpower diplomacy. But it also seems like a *desire for the intimate setting,* a nostalgia perhaps for the Skull and Bones Club at Yale, where personal bonds counted and private thoughts could be uttered without fear of public disclosure.

"I want to be sure we don't have any misunderstandings – Mr Gorbachev conducting himself in one way and our not *understanding the underpin*ning his own thinking," said the President, with emphasis.

Some speculated afterwards that this could have been a reference to his own fear of a crackdown in the Soviet Union – and whether this would lead in turn to repression in Eastern Europe.

The President would like to explore how far Soviet tolerance will stretch; yet, as one east European correspondent observed, it is by no means clear whether the Soviets know themselves.

The lack of predictability has fanned talk about a Yalta 2, a superpower security arrangement which would contain an understanding on the post-war boundaries of Europe. In his interview this week, Mr Bush again ruled out such an arrangement – much to the delight of Mr Anthony Montanaro, the silver-haired 68-year-old editor of the Sunday Times of Malta who had flown into Washington to take his place in our group.

Mr Montanaro said he was confused by all the talk in Washington about Malta turning into Yalta. It reminded him of that day in 1944 when, as a greenhorn journalist, he heard the news that Churchill, Roosevelt were to meet Stalin to discuss the future of post-War Europe.

"It came through as Yalta on the teleprinter," said Mr Montanaro, "We all said it was a printing mistake. It had to be Malta."

Mr Montanaro is probably glad the conference never took place in Malta, given the results of that fateful meeting between the great powers. He certainly hopes that next weekend's encounter between Mr Bush and Mr Gorbachev turns out more favourably.

LETTERS

Times and tides

From Mr F.S. Law.

Sir, Few would quarrel with the Prime Minister when she warns that times of great change are times of great uncertainty.

However, Mrs Thatcher must not use this to continue to isolate the UK from the other 11 members of the European Community.

The UK's refusal to enter the European Exchange Rate Mechanism (EMS), its refusal to subscribe to the Social Charter in its present form, its refusal to back a European Community decision to put prominent health warnings on the front of cigarette packets – these show persistently the picture to our European partners, that the UK remains the odd man (woman) out.

Mrs Thatcher's fight over the Community's blatantly wrong agricultural policy must be admired, but her intransigence over other issues will undoubtedly result in the other member states ignoring the UK's views in future, and diminishing this country's influence over the important new issues Europe will have to face.

We must hope and pray that other members of the Cabinet will use their influence over the Prime Minister to persuade her to shed some of her strongly held convictions.

F.S. Law,
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Polarisation defended

From Mr Christopher Price.

Sir, Barry Riley is usually an imaginative and independent commentator on the investment scene. It is therefore uncharacteristic that he now argues, on behalf of the banks and building societies, the case against polarisation (Lombard column, November 10).

The *Financial Services Act* (FSA) has been a disaster; few, if any, try to defend it. However, as Mr Riley recognises, it is here to stay. If it is to produce any long term benefits, then the parts which are good must be defended strenuously.

Polarisation is one such concept. Before its introduction an army of employees, from bank managers to insurance salesmen, sold their company's unit trusts, insurance bonds and life policies under the pretext of giving independent advice. Polarisation as originally con*ceived required honesty* in such matters; either an adviser must be truly independent, or he was an employee selling only his companies' products.

Regrettably, the big battalions were *totally* opposed to polarisation. They have done everything in their considerable power to undermine the concept, and to some extent they have been successful. We are now in the ludicrous position that many banks and buildings societies have, in effect, two doors. Enter one and you are confronted by tied agents working on behalf of one insurance company. Enter the other, and the advice – from employees from the same group – is now independent.

At least some protection has been retained for the potential customer, but for how long? The Maximum Commissions Agreement has been abandoned and, as Mr Riley admits, this has led to some of the big building societies squeezing 170 per cent of the previous scale from their tied offices. And yet these are the organisations whose independent advice has been so valuable that polarisation must now be abandoned . . .

Obviously Barry Riley has forgotten that it was only the imminent arrival of the FSA, four or five years ago, that panicked most building societies into the area of "independent" advice. It is laughable that they should now be regarded as the last bastions of independence.

Those of us whose work enables us to see the advice given by ill trained and inexperienced staff look forward to the day when polarisation, strengthened rather than aban*doned, forces these so-called* independents to give up their independence. Meanwhile, your correspondent would be much better employed using his considerable talents to attack the ridiculously high levels of commission which are the root cause of the whole problem.

Christopher Price,
Price Gardiner,
16-17a Old Bond Street,
Bath, Avon

Emergency exits over the wings

From Mr Jonathan Charkham.

Sir, Playing fields, level or otherwise, still figure frequently on your pages. They must have become airport runways by now. Where else can economies touch down when they make a soft, bumpy or hard landing?

All of a sudden some of our *sporting metaphors* have become airborne – as in a recent paper with the headline: "A soft run at a hard landing." The author warms to the theme: "A soft landing may be within grasp," followed by, "A soft landing can be pulled off." But sport will not be denied. The final summary started: "The odds are that, in its ambition to achieve the best ever soft landing to a cycle . . ."

Describing the kind of landing the economy makes is consistent with its "having taken off" earlier, having run into turbulence, and having experienced a bumpy flight. The Japanese might be said to have "gone supersonic," but it is unclear how we should describe third world countries *with huge debts. Their econo*mies are perhaps permanently grounded, with no flying capacity at all, and have to look to other forms of locomotion. Perhaps they are "getting up steam," or have just "hit the buffers."

Some commentators vacillate between air and ground. One wrote of our European policy: "We shall be on the wrong flight path so long that we shall end up in a siding." (If God had meant us to use flying metaphors he would not have given us railway clichés.)

What does an economy do when it has "landed"? Does it come to a total halt? If so, for how long? Presumably it takes off again, but to what destination? These questions show the full international range of the *latest flying metaphors.* Perhaps we may venture into classicism: how about Icarian economic policies – those which fly too close to the sun, get overheated and fall headlong into the sea?

How valuable metaphors are, touching the unpalatable with a little colour while clouding reality with welcome imprecision. As R.L. Stevenson pointed out, to travel hopefully is a better thing than to arrive. Mind you, he knew no airports: would he have written thus if he had been stuck in Rome airport with three fractious children on a hot August night with no luggage and no aircraft? Travellers worry more about long delays in crowded lounges than they do about *landings – unless they* are on an uneven playing field.

Meanwhile, how fortunate that, despite the October 1987 "crash," we do not have to worry about what "stop-go" might do to flying metaphors. We do not now fear to see again that 1970s headline:

"The sky is darkened by lame ducks coming home to roost."

Jonathan Charkham,
22 Montpelier Place, SW7

Green in tooth and claw

From Mr David Erdman.

Sir, I am dismayed at your article on the proposed devolu*tion of the Nature Conservancy* Council (November 18). Was "a person closely involved in the subject" Sir Humphrey, of the *Yes, Minister* television series?

Break-up of the NCC is an act of revenge for embarrassment caused by UK Government policies in Scotland. The NCC, as a guardian of the environment, found these inimical.

That the Conservatives wish to save face in Scotland is petty. But does the Government not realise how foolish it looks to provide yourself with a watch dog, then put it down because it barks too loudly?

David Erdman,
134 Goddard Way,
Saffron Walden, Essex.

'The DHSS has some explaining to do'

From Mr Hugh Lowe.

Sir, Your coverage of the Community Care white paper (November 17), while a long way ahead of the competition – in particular your leading article's discussion of means testing, whose existence is not even recognised by the rest of the media or the political parties – was not entirely correct.

Neither Griffiths nor the white paper deal with the problem of fragmentation and ambiguous responsibility for community care. In fact it cannot be done. Community care services are provided to people because they are sick or disabled. So the frontiers between National Health Service care (*10 per cent of NHS services* are even called "community health services") and social services community care must necessarily be fuzzy, with a wide no-man's-land between. Griffiths just moved it somewhere else.

NHS territory, where services are free at the time of use, has been losing ground for years to local authority community care territory, where services are means-tested. The Community Care white paper merely continues the process – *post* NHS white paper.

But no-man's-land remains. The only way to make Health Authorities and local councils venture co-operatively into no-man's-land is to remove the motivation they both have to reject responsibility for care wherever possible; that is, fund starvation. No one seriously supposes they are going to be adequately fed.

The departures from Griffiths in the white paper (apart from non-earmarking of funds) are interesting.

The transfer of NHS staff to local councils (a sticky one) is dropped. The NHS internal market and opting-out will do the job of making community health services chargeable to the users instead. The others epitomise the Government's "our hands off – and you take the blame" stance.

There will be no minister for community care such as Griffiths proposed, but a Department of Health and Social Security (DHSS) monitoring system – that is, criticism without responsibility. The requirement to charge users for services is retained, but the specific reference in Griffiths section 6.61, requiring recipients to raise income, to pay for services, by re-mortgaging their homes, has been dropped. (Yet this is important if significant amounts of money are to be raised from users.) Instead there is a reference to a very loose means-testing rule which allows councils to waive charges "as seems reasonable."

On rapidly rising costs of private residential homes for the elderly, official statistics show that the cost in DHSS grants to inmates seems to have been increasing twice as fast, over the past four to five years, as numbers of inmates. As the means testing rules have not changed – and more and more people own houses which can be sold to pay the fees, thereby relieving the public purse – the DHSS has some explaining to-do. Why are they forking out for a much higher proportion of the inmates than before – if they are?

Hugh Lowe,
4 St Dunstans Gardens, W3

UK COMPANY NEWS

Coats ready to renew Tootal bid

By Alice Rawsthorn

COATS VIYELLA is finalising plans to renew its bid for Tootal, its fellow UK textile group, having received clearance for the bid from the European Commission. But Coats is expected to mount its new bid at a significantly lower price than the £395m originally offered.

Sir David Alliance, chairman and chief executive of Coats, said the Commission's decision meant the group had received "all the necessary clearances" to go ahead with the bid.

The Commission based its decision on the proposals for a common mergers policy, which were thrashed out by ministers on Thursday. The proposals have not yet been formally adopted, but are expected to be ratified at a Commission meeting late next month.

This is the first time the Commission has taken a decision on a merger, based on policy which has not yet been finally agreed. It cleared the merger on the grounds that over two thirds of Coats and Tootal's combined turnover was in the UK.

Coats agreed terms for its original £395m offer for Tootal last May. The bid lapsed while it was investigated by the Monopolies and Mergers Commission. Last month the MMC gave Coats permission to proceed providing it sold its consumer thread business in the UK.

Coats has now completed discussions with the MMC on the details of the disposal. NM Rothschild, the merchant bank, is soon to circulate the sale document.

Sir David said Coats had already received "a number" of approaches from prospective purchasers. The business, the consumer thread operation within Coats Leisurecraft, has sales of £2m. Coats made worldwide sales of £1.85bn last year.

Once the disposal is completed Coats plans to renew its bid. But the condition of the UK textile industry has deteriorated significantly since it unveiled its first offer. Tootal recently reported static pre-tax profits of £19m on sales of £254m for the six months to July 31. Analysts have downgraded their profit forecasts for the full year from over £40m to less than £35m.

It is expected that Coats, which already owns 30 per cent of Tootal, will pitch its new bid at a substantially lower price. It is thought that Coats could offer around 100p a share, against the 138p offered in May. This would value Tootal at about £285m.

Tootal's shares were static at 111p yesterday, as were Coats' at 139p.

Leigh slows with 15% advance to £3.48m

By Richard Tomkins, Midlands Correspondent

A COMBINATION of difficulties with site licences and sharply higher debt charges slowed the recent high profits growth at Leigh Interests, the West Midlands-based waste disposal group, in the six months to September 30.

In spite of contributions from a continuing stream of small acquisitions, the pre-tax figure moved ahead by 15 per cent from £3.03m to £3.48m, an advance that compared with 46 per cent at the last full year.

Earnings per share were also ahead by a relatively modest 10 per cent at 7.7p (7p), and the interim dividend is raised in the same proportion to 2.22p (2.02p).

Turnover rose from £24.17m to £30.4m, with about half the increase reflecting first-time contributions from acquisitions and the rest coming from existing operations, mainly as a result of price increases.

Delays in winning planning consents and site licences for new operations and appeals on existing ones meant Leigh was sometimes unable to tender for new business, and with existing contracts, it incurred extra costs in transferring waste from site to site.

The pre-tax figure was also hit by an increase in the debt charge from £170,000 to £570,000.

Mr Malcolm Wood, chairman and chief executive, was nevertheless optimistic about the outlook. Planning consents were beginning to come through in some areas, he said, and with more contributions from acquisitions emerging, he expected a further improvement in the second half.

● COMMENT

Ten per cent earnings growth is nothing to be ashamed of in the present industrial climate, but other companies achieving similar levels may regard Leigh's share price rating with envy: on expectations of £7.5m pre-tax this year, the prospective p/e at yesterday's 295p is nearly 19. Partly this anticipates an increase in earnings growth to 15 per cent at the year-end, but mostly it reflects the market's apparently unshakeable faith that waste disposal generally is a boom sector immune to any downturn in the UK manufacturing sector. The market may be right, but in Leigh's case, a restoration of earnings growth deserving of the current rating looks heavily dependent on the planning permissions still outstanding. Even supposing the decisions are favourable, they could be a long time coming: one consent Leigh obtained in the Leeds area recently had been eight years under appeal.

Barclays disposes of 'non-core' US subsidiary for $150m

By David Lascelles, Banking Editor

BARCLAYS HAS agreed to sell its US consumer lending and instalment credit subsidiary for $150m (£95.85m) to Primerica, a financial services and retailing company.

The sale marks a further retreat by UK banks from the US market. Many have suffered severe losses there since they embarked on a wave of expansion in the late 1970s.

BarclaysAmerican Financial has receivables of about $1.3bn. Based in Charlotte, North Carolina, it has a staff of more than 1,000 and maintains about 320 offices in 29 states. The sale price represents a premium of about $50m over the subsidiary's asset value.

Barclays said last night that the business was not "core" to its US operations, which are now focused mainly on the corporate market. Earlier in the 1980s BarclaysAmerican Financial suffered considerable losses and forced Barclays to take remedial action.

The business being sold represents about one third of the assets of BarclaysAmerican Corporation, the bank's US financing arm which engages in leasing, factoring, mortgage and commercial banking.

Following the sale, Barclays' US operations will consist of the bank's corporate business, the remainder of BarclaysAmerican Corporation, and Barclays Bank of New York, which has about 60 branches. Barclays had earlier sold its California banking subsidiary.

The sale follows a major review undertaken by Barclays to re-target its worldwide operations more closely on well-identified core businesses, and sell off those which did not fit this scheme.

Mr Robert Lipp, chairman of Primerica's Consumer Services, said the purchase would expand his company's consumer lending operations, providing a national scope through the addition of seven new states, including key West Coast markets.

In the last four years, most major UK banks including Barclays, Midland, Lloyds and Standard Chartered, have sold substantial parts of their US operations as their earlier ambitions of developing a large US presence proved impossible to realise. Only NatWest has pursued its expansion, though it too indicated recently that the pace might slow.

See Lex

MBS in merger discussions with Ferrari

By Alan Cane

MBS, once the UK's largest personal computer dealer, and Ferrari Holdings, the acquisitive computing services company, are at an advanced stage in merger talks.

A statement issued by both companies yesterday said discussions were taking place "which may or may not lead to a merger of the two groups."

Neither Mr Owen Williams, chairman and chief executive of MBS, nor Mr Bob Woodland, managing director of Ferrari, were prepared to comment further on the statement last night.

MBS, which turned over £116.2m in 1988, has been looking for a buyer since heavy losses caused by fierce price competition in the personal computer business resulted in a £14.1m loss last year and forced substantial restructuring.

The core product sales division was sold earlier this year leaving MBS as a maintenance and computing services company. In the six months to July 5 1989 it turned over £8m on maintenance and services with a pre-tax profit of £1m. Activities discontinued or to be discontinued lost £5m on £56m turnover.

USM-quoted Ferrari Holdings, with sales of more than £50m, is backed by the merchant bank Singer & Friedlander. It has been growing rapidly through an aggressive strategy of mergers and acquisitions. The chief aim of that strategy has been to build a substantial business in third party computer maintenance (TPM), the provision of "one stop" engineering services to customers with equipment from a variety of computer manufacturers.

The aim, according to Ferrari's financial adviser Singer-Whittaker, is to build a TPM business of a size to challenge the UK market leaders Granada Computer Services and Olivetti. TPM is seen as one of the fastest growing and most profitable areas of the computing services marketplace.

In the past few months Ferrari has acquired the computing services companies UCL, Telecomputing and Blue Chip Systems.

The share price of both companies was little affected by the announcement. MBS closed 1p higher at 23p, while Ferrari closed at 81½p, up ¼p.

Another US buy for Attwoods

By Peter Berlin

ATTWOODS, the waste disposal specialist, is increasing its presence in the growing US waste recycling industry with the acquisition of Mindis Industrial Corporation for a maximum consideration of $65m (£41.7m).

Mindis reprocesses glass, metal, paper and plastic waste. It operates a network of facilities in Georgia, Tennessee, Alabama and Florida which include 11 reprocessing and recycling plants, 21 satellite stations and a warehouse.

Mr Ken Foreman, chairman and chief executive of Attwoods, said his company would be able to feed in waste from collection contracts it has or may win to Mindis, rather than send it to a third party.

Attwoods is making an initial payment of $18m, of which $3m will be cash and $15m will be covered by the issue of 2.2m ordinary shares. To meet the cash element and to raise a further £8m to reduce the indebtedness of Mindis, Attwoods is placing 2.4m new ordinary shares. On the stock market yesterday the shares gained 2p to 440p.

The balance of the consideration will be paid over four years and is profit-related.

Mindis made pre-tax profits of $1.6m in the year to February and at that time had net assets worth $2.2m. Attwoods predicts that Mindis will make profits of $3.7m in the 17 months to July 1990.

Attwoods has been expanding its US operations with a series of acquisitions. In July it paid $57m for waste disposal operations in Florida owned by Laidlaw Transportation, a Canadian group which holds a 34 per cent stake in Attwoods. It paid $16.2m for Eastern Waste in April 1988. It also has two purchases awaiting approval by the state of New Jersey: Atlantic Disposal, for $19m, and National Waste Disposal, for $30m.

VSEL's £12m pleases market

By Clare Pearson

VSEL Consortium, the defence contractor which makes Britain's Trident-carrying submarines, more than doubled its pre-tax profits from £5.6m to £12.1m in the six months ended September 30.

This was better than the market expected, and the shares rose 19p to 425p.

The pre-tax rise came as the company started recognising profits on the second Trident project. The effect was amplified as the comparative figures were adversely affected by a 12-week strike at the main plant at Barrow-in-Furness, Cumbria.

Interim dividend is increased to 4.5p (3p), partly to redress the balance with last time's 11p full-year payment. Earnings per share increased to 30.8p (14.7p). Tax took £1.14m (£357,000).

VSEL expects to receive the third Trident order from the Ministry of Defence by the end of the financial year. A fourth is in view.

Mr Noel Davies, who became chief executive in September, joining from the 600 Group, said yesterday he saw the task ahead as being to identify, and eventually carry out, a programme of diverting some of the cash generated by Trident into non-defence activities. "But there is no need to rush at it," he said.

Turnover rose at £245.31m (£125.25m) during the half-year, and the order book stood at £3bn.

● COMMENT

On current year profits forecast of some £27m, VSEL's shares stand on a prospective p/e of less than 6.5. There are various reasons for this including general concerns about the effects of easing of tension between East and West on the defence sector, the more or less one-product nature of the company, and the inevitability of a rising tax charge. Recent unsettling factors have been boardroom resignations as the reshuffling took place, and the failure to materialise of a Canadian submarine contract. However, analysts are looking for a re-rating of the shares. UK naval spending, it is argued, should be the last to be affected, and may even be enhanced, by defence cuts. The formula by which VSEL takes Trident profits means their size will become more and more visible, and earnings should be advancing strongly in the early 1990s despite the rising tax charge. On this view, VSEL is a one-way bet: either its shares will go up in their own right or, despite the golden share provisions, the company will be snapped up by a bigger player in the sector.

Clyde Blowers leaps to £0.3m

Clyde Blowers, the manufacturer of soot-blowing equipment, all but doubled pre-tax profits from £141,000 to £280,000 in the year to August 31. Turnover rose from £3.66m to £4.02m, leaving operating profits at £99,000, against losses of £44,000 last time.

After tax almost trebled at £102,000 (£35,000), earnings increased 68 per cent to 17.8p (10.6p).

An unchanged final dividend of 6.32p has been recommended for a same-again total of 7.15p.

Metsä-Serla lifts stake in UK Paper to 2.15%

By Maggie Urry

METSA-SERLA, the Finnish forest products group bidding 330p a share for UK Paper, disclosed yesterday that it had increased its stake in the company to 2.15 per cent, 1.715m shares, through the purchase on Thursday of 1.465m shares at 330p each.

Goldman Sachs Equity Securities (UK) was also buying shares on Thursday and has built up a 1.94 per cent stake. On Thursday it bought 450,000 shares at prices between 329.7p and 330.7p. The broker said those were bought for its own account.

Analysts suggested that Goldman Sachs could be looking for a higher bid from Metsä-Serla or from another company.

Many stockbrokers feel that UK Paper is worth more than the 330p a share being offered. The shares closed up 1p at 331p yesterday.

Hay & Robertson

Hay & Robertson made a pre-tax profit of £21,874 for the year to May 31 against £10,335 loss on £411,600 (£356,600) turnover. Earnings 0.029p (loss 0.087p). Last time there was a £75,755 extraordinary gain. Figures were transposed in yesterday's FT.

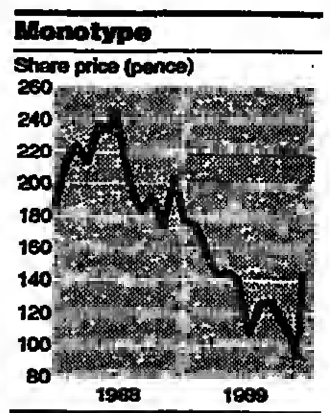
Monotype agrees £32m US bid

MONOTYPE CORPORATION, manufacturer of typesetting and pre-press equipment since the days of hot metal presses, has agreed to be bought by King, Black & Associates, a US investment group, for £32m, writes John Ridding.

The US group, which is making the bid through Pointplus, a newly-formed vehicle, is offering 150p cash for each Monotype share. It has acceptances representing just over 3 per cent of the shares, which yesterday climbed from 110p to 155p.

Monotype, which was founded in 1897 but obtained a full market listing only last year, fell into loss during 1988. In the 15 months to the end of March 1989 it reported a pre-tax deficit of £1.4m, compared with profits of £4.85m in 1987.

The downturn reflected poor demand for its Lasercomp page composition equipment and increased competition from larger competitors. Trading has since improved, and orders worth more than £23m have been won since March. But a loss is still anticipated for the



half year to the end of September and analysts have been expecting moves towards a strategic link-up.

The proposed acquisition is the first move into the UK by KBA, which provides technical support and capital to a variety of technological companies. The partnership's funds total approximately $100m (£64m) and it already has a substantial presence in the US printing industry.

Mr Richard Black, KBA's chairman, said that Monotype had a very strong reputation at the quality end of the typesetting market and that KBA would build on its reputation through aggressive marketing and product development, particularly in the US.

The US company says it has "a strong investment record in the printing sector and will be able to offer Monotype a significantly stronger financial base from which the group's technological lead can be better exploited."

KBA argues that shareholders accepting the offer will receive an increase in capital value of 36.4 per cent over the market price on November 22 and an 8.8-fold increase in income compared with the dividend for the period to the end of March 1989.

It said that the offer would not be increased, but might be revised should a competitive situation emerge.

Heading for calmer waters

John Ridding on one of the grand old names of British printing

SINCE ITS formation at the end of last century, Monotype has helped transform type setting and pre-press technology beyond recognition. Hot metal has given way to hi-tech, as the industry has moved to electronic production.

On a number of occasions Monotype's survival has been in doubt. Two rescues were necessary between the mid-70's and mid-80's as the company struggled to adjust to changing technology and financial problems.

Now, as the pre-press industry consolidates and competition intensifies, one of the grand old names of the British printing industry is close to surrendering its ownership to US investors.

Monotype's first factory, which was set up in Surrey in 1901, manufactured automatic hot metal type composing equipment for letter press. This equipment, which produced every letter of print in a single slug, was used principally in the production of books and commercial documents. Linotype, by contrast, where whole rows of type were cast, was used mainly in the production of news papers.

"The roles are now reversed" notes Mr Roger Day, who has been Monotype's chairman since 1984. "Our typesetters are now used largely in newspaper production, where the trend has been towards increased flexibility and the use of graphics. Linotype tends to be used for more commercial and book printing."

If the roles have changed, so too has the equipment. Whereas Monotype's original machines were effectively mini-foundries producing individual characters, its latest machines, used by many UK national daily newspapers are based on computer programmes and allow pages to be created electronically.

The financial course of the company over recent years has been no less turbulent. The group was close to collapse under heavy debts when it was rescued by the National Enterprise Board and Barclays Bank in 1978. But financial problems emerged again in the early 1980's and in 1988 a second rescue, by three city institutions was necessary.

After a trend of improving profits, peaking at almost £5m in 1987, the outlook again took a turn for the worse. Fierce competition from larger competitors and a slowdown in orders for the group's Lasercomp range returned the group to losses, particularly in its US operations.

The importance of the US market is one of the principal reasons for recommending the offer from King, Black & Associates. "North America represents approximately half the world market" says Mr Day "and we haven't yet established a presence in commercial printing or the bottom end of our product range."

Monotype's typesetting technology will fit well with KBA's existing portfolio of printing business which include the manufacture of electronic cameras for printing and software for newspaper and magazine layout. But the US company has no presence in typesetting and is looking to fill this gap through the acquisition of Monotype.

Mr Richard Black, KBA's chairman, said that the group intends to exploit the UK company's technology and to expand into new business areas in the US. These include magazine and commercial printing and the growing market for in-plant printing by US companies.

For Monotype, the proposed acquisition will bring the marketing strength and financial stability which has eluded it over recent years while keeping its businesses intact and independent. If the offer is accepted, it will also mean the departure of the last quoted UK printing equipment company to the calmer waters of the private sector.

Little credit is gained from unreliable information

Nikki Tait on Peter de Savary's mbo bid and the consequent shareholder confusion

Higher interest rates and some burnt fingers may have dampened enthusiasm among potential backers of leveraged management buy-out bids. But for the recipient shareholders, those deals which keep coming are proving no happier.

This thorny issue – centring largely on the adequacy of information supplied to shareholders – has bubbled up again over Mr Peter de Savary's £72.6m bid to take Highland Participants into the private sector.

Institutional unease surfaced in the wake of a 200p-a-share cash offer earlier this month from Cornwall Trust, a private vehicle controlled by the flamboyant yachtsman entrepreneur. Mr de Savary has countered with a tour of anxious shareholders, explaining his case.

And, as the offer heads for its first close later today, it seems that some of the larger investors, if hardly reassured, have been persuaded that their interests will not be best served by holding out. Advisers say they are fairly confident of a high level of acceptances.

That said, the entire affair offers little credit all round.

Like many previous mbo bids, the problem is one of correct valuation – and Highland has proved particularly difficult in this respect.

Once an oil exploration tiddler traded under rule 535(3), the company became a shell for Mr de Savary and his associates in early 1987. It took over Appledore, a listed ship repair business which owned freehold land at Falmouth Docks; added other port/property interests around the UK; and then, 16 months ago, acquired from BP a 999-year leasehold interest at the Isle of Grain, in Kent. The plan was, and is, to build a container and bulk handling terminal.

At the time, Highland said the cost of the land (£12m) and the construction of the first berth and container park would be around £40m, and that the first berth would become operational in 1990. Mr de Savary added that the Isle of Grain could contribute up to £20m to Highland's pre-tax profits – it contributed less than a quarter of that figure last year – by 1993.

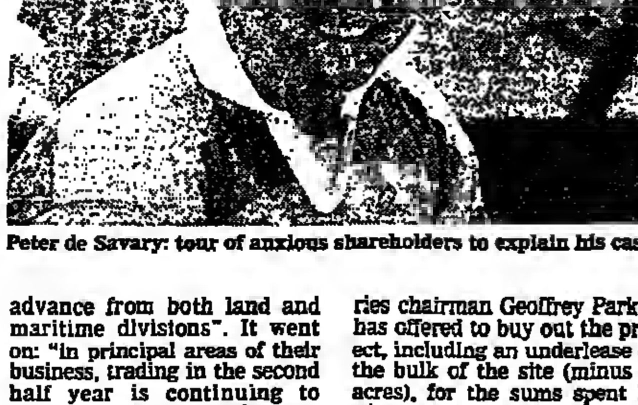
With these costs in view, Highland raised about £42m from shareholders via a rights issue at 230p a share.

It subsequently continued to expand, most notably with the acquisition of Southampton (Eastleigh) Airport. This was bought for a nominal £2 but also involved the assumption of almost £50m of liabilities.

Highland's shares, having topped 250p, started to flag last March and April. Nevertheless, a research note from the company's own brokers, Charterhouse Tilney, was unreservedly bullish in late May. It suggested that the Isle of Grain should open in December 1989; that group net asset value was 340p after tax; and it advised investors to buy on the grounds of "good long-term growth".

Moreover, when the interim figures came out in late September, profits and earnings were sharply improved.

This, said Highland cheerfully, "reflects a strong



Peter de Savary: tour of anxious shareholders to explain his case

advance from both land and maritime divisions". It went on: "in principal areas of their business, trading in the second half year is continuing to prove satisfactory and group profit for the year should fulfil initial expectations."

It is these two points which, not unnaturally, have upset some institutions.

A mere six weeks after the interims and six months after the Tilney circular, they have been confronted by an offer at a discount to the rights subscription price, have seen a downgrading in the valuation of the Southampton airport site by a firm of external surveyors, and have been told of cost overruns on the Isle of Grain.

On the last score, the costs of "Phase I" are now put at around £60m – a 50 per cent increase. The management team, headed by ex-EuroFerries chairman Geoffrey Parker, has offered to buy out the project, including an underlease on the bulk of the site (minus 30 acres), for the sums spent by Highland to date plus a £3.5m premium. A less controversial issue, this mbo gained shareholder approval this week.

That, however, does not answer the queries on the Highland buy-out itself.

Mr de Savary's explanation has been that, at the time of the interim statement, he did not wish to jeopardise the deal's prospects (although it is not quite clear why they should have been damaged) by being more specific about some of the facts which have now emerged; that advisers were consulted; and that some of the information came to light via the due diligence process anyway.

Meanwhile, Tilney defends its circular by saying simply that circumstances today are very different from those at the time of writing, particularly where the valuation of property-related developments, dependent in some cases on planning consents, are concerned.

As for assessing the prices offered for both Highland and the Isle of Grain project, shareholders may find that the bid document's help is limited.

There is a pro forma net asset value of £68m given for Highland – after the Isle of Grain sale but before taking account of current year trading. Furthermore, surveyors have said that a valuation of the Isle of Grain project was effectively impossible, while valuations of the retained Isle of Grain land plus Southampton airport are suitably hedged.

Perhaps, given the uncertainties and subjectivity of some of the assessments involved, it is not surprising to find a number of shareholders resigned.

"I think there's dissatisfaction, certainly," commented one fund manager, "but the market in these smaller, speculative companies has got pretty bleak, so you could see the price fall back quite sharply.

"In this case, it's very difficult to know what the values are: any valuer is going to take a conservative view these days."

The pity is, perhaps, that all the potential caveats could not be attached somewhat earlier in the day. Information, as ever, remains a fraught subject.

Audio Fidelity £2.3m rights

By Ray Bashford

AUDIO FIDELITY, the sound equipment and consumer products group, may be unable to meet bankers' requirements to reduce substantially its borrowings and is attempting to prop up its financial position through a £2.3m rights issue.

In a statement released after the close of stock market trading yesterday, the directors said that after a "serious" erosion of the group's capital base it was essential to raise additional funds.

The directors are also proposing to acquire Wharfdale, a manufacturer of loudspeakers, through the issue of 26.7m shares. If approval for the deal is granted, York Trust which has underwritten the rights issue, the vendors of Wharfdale, proposed new directors and sub-underwriters could be entitled to up to 80 per cent of the enlarged capital.

The company said losses in the year to June 30 have been calculated at £5.6m against pre-tax profits of £499,000 in the previous 12 months.

The failure to control costs, lower sales and higher promotional costs at the Billys Music subsidiary was a major factor behind the loss. The company plans to sell Billys Music.

The rights issue is on the basis of five new shares for every three held at 11p per share, creating 25.24m shares. Trading is suspended in the shares at 21p.

Approach to City and Westminster

City and Westminster Group, the financial services company headed by Mr Andrew Greystoke, announced late yesterday afternoon that it had received an approach which could lead to certain directors purchasing the issued share capital of the City and Westminster Financial subsidiary.

It added that a further announcement would probably be made on Monday.

Mr Greystoke, who is among the directors involved in the buy-out, said the further announcement would be designed to give shareholders "an idea of where we're going."

Power Corpn I£41m cash call

By Peter Berlin

POWER CORPORATION, the Dublin based property developer, plans to raise I£40.6m (£37.9m) in a rights issue to fund acquisitions including of a further interest in Two Rodeo Drive, a commercial development in Beverley Hills, California.

The issue will be on the basis of two rights shares for every five shares held, creating 34.5m new shares of 10p each. Power shares closed unchanged at 182p.

The group has recently entered into agreements to buy a nearby property on Rodeo Drive and properties in London and Dublin. Earlier this year it acquired a stake in the Ambassador Hotel site in Los Angeles and bought the Rhinelander Mansion in New York for $43m. It made a rights issue of I£21m in March. The group owns half of the Trocadero on Piccadilly Circus in London.

The rights issue has not been underwritten but the group has irrevocable undertakings for 49.57 per cent from the directors and large shareholders. Canada Life Assurance intends to take up a further 5 per cent of the issue.

MARKET STATISTICS

ECONOMIC DIARY

TODAY: Scottish Young Conservatives two-day conference opens in Peebles. Ministers from the European Community and 12 developing countries meet in Brussels to finalise new Lomé aid and trade agreement between EC and 66 developing countries in Africa, Caribbean and Pacific. Organisation of Petroleum Exporting Countries Ministerial conference opens in Vienna.

TOMORROW: Swiss national referendum on abolishing the army and on raising the speed limit.

MONDAY: CBI monthly trends enquiry for November. European Community general affairs council starts two-day meeting in Brussels. President of South Korea starts visit to UK (until November 30). British trade delegation flies to Argentina. Mr Chris Patten, Environment Secretary, speaks at Town and Country Planning Association annual conference. Labour Party statement on Invest in Tomorrow education campaign. Countryside Commission statement on new national forest in the Midlands. Manchester City Council statement on effects of privatisation. Royal Institution of Chartered Surveyors inner city awards. Critics' Circle film awards. Picasso painting estimated to sell for £10m at Christie's auction.

TUESDAY: NATO Defence Ministers start two-day defence planning committee meeting, Brussels. EC environment council meets in Brussels. World Travel Market exhibition opens at Olympia (until December 1). High Court challenge to Mr Peter Palumbo's City of London redevelopment plan. Health Education Authority's statement on five-year national strategy for better health. House of Lords select committee on science and technology publishes report on greenhouse effect. Mr John MacGregor, Education Secretary, presents Schools Design Prize.

WEDNESDAY: Bank of England publishes figures for London sterling certificates of deposit (October); Bill turnover statistics for October; Monetary statistics for October including bank and building society balance sheets; Sterling commercial paper (October). Department of Transport issues figures for new vehicle registrations in October. Overseas travel and tourism figures for September from Department of Employment. Mr Mikhail Gorbachev, President of USSR, starts visit to Italy (until December 3). House of Commons agriculture committee hearing on salmonella in eggs. Mr David Hunt, Local Government Minister, speaks at Society of Local Authority Chief Executives annual conference. Mr Lech Walesa, leader of Polish Solidarity union, visits UK (until December 3).

THURSDAY: Department of Energy publishes Energy Trends for September. Sale of Picasso's Les Noces de Pierrette in Paris expected to set new world record for a painting. EC social affairs council meets in Brussels. Mr Walesa lunches with Mr Douglas Hurd, Foreign Secretary. Mrs Virginia Bottomley, Health Minister, speaks at better health symposium. National Portrait Gallery statement on develoment plans and appeal.

FRIDAY: CSO company liquidity survey for third quarter. Mr Walesa meets CBI representatives. Financier Mr Peter Clowes appears on remand at Guildhall Magistrates Court. National Alliance of Women's Organisations launched. Mr F.W. de Klerk, South African President, scheduled to travel to Ivory Coast for talks. European Commission book "1992 and Beyond" published (available from HMSO).

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 90 Vol	Feb. 90 Last	May 90 Vol	May 90 Last	Aug. 90 Vol	Aug. 90 Last	Stock
Gold C	$390	110	36.50	-	-	-	-	$416.80
Gold C	$400	244	28	-	-	31	42	$416.80
Gold C	$410	124	22 b	32	31	-	-	$416.80
Gold C	$420	336	16	1	24.50 b	-	-	$416.80
Gold C	$430	154	11	23	19.50	9	25	$416.80
Gold C	$440	83	9	3	15	3	21 b	$416.80
Gold P	$400	210	6.90	24	9.50	10	10.50	$416.80
Gold P	$420	103	13.50	-	-	-	-	$416.80
		Dec. 89		Mch. 90		Jun. 90		
Silver C	$550	-	-	5	60	125	75	$588
		Dec. 89		Jan. 90		Feb. 90		
EOE Index C	Fl. 280	195	12	-	-	-	-	Fl. 290.31
EOE Index C	Fl. 285	135	8.10	71	11.70 b	-	-	Fl. 290.31
EOE Index C	Fl. 290	780	4.90	62	8.90	9	11	Fl. 290.31
EOE Index C	Fl. 295	270	2.80	81	6.40	-	-	Fl. 290.31
EOE Index C	Fl. 300	148	1.50	288	4.50	-	-	Fl. 290.31
EOE Index P	Fl. 270	82	0.50	30	1.80	-	-	Fl. 290.31
EOE Index P	Fl. 273	106	0.80	-	-	-	-	Fl. 290.31
EOE Index P	Fl. 280	298	1.20	58	3.50	2	5.50	Fl. 290.31
EOE Index P	Fl. 285	140	2.50	57	4.50	201	7.50	Fl. 290.31
EOE Index P	Fl. 290	521	4	58	6.80	1	9	Fl. 290.31
EOE Index P	Fl. 295	224	6.50	8	9.50	-	-	Fl. 290.31
EOE Index P	Fl. 300	316	10.30	79	12	-	-	Fl. 290.31
EOE Index P	Fl. 310	5	19.50	200	19.50	-	-	Fl. 290.31
S/Fl C	Fl. 205	151	1.60	26	3	8	3.80	Fl. 203.65
S/Fl C	Fl. 210	4	0.70	122	1.40	-	-	Fl. 203.65
S/Fl P	Fl. 200	152	1.30	61	2.50	35	3.10	Fl. 203.65
		Jan. 90		Apr. 90		Jul. 90		
ABN C	Fl. 45	17	0.50	69	1.10	134	1.60	Fl. 42.30
Aegon C	Fl. 110	287	4.20	54	7.40	-	-	Fl. 109.70
Aegon P	Fl. 110	-	-	4	4.50	305	7.20	Fl. 109.70
Ahold C	Fl. 120	75	13.30	-	-	-	-	Fl. 131
Akzo C	Fl. 130	360	3.70 a	16	7.50	-	-	Fl. 128.50
Amev C	Fl. 60	263	2.80	232	5	6	6	Fl. 60.70
Amro C	Fl. 90	130	0.60	7	1.50	-	-	Fl. 80.70
Amro P	Fl. 85	-	-	132	6	-	-	Fl. 80.70
BUHRMANN-T C	Fl. 70	27	1 a	208	2.50	-	-	Fl. 64
DAF N.V. C	Fl. 47.50	143	1.30	4	2.50	-	-	Fl. 44.80
N.V. DSM C	Fl. 120	440	2.10	36	5.40	3	6.50	Fl. 113.70
N.V. DSM P	Fl. 115	3	4.20	154	5.80 a	-	-	Fl. 113.70
Elsevier P	Fl. 70	110	0.60	-	-	10	2.50	Fl. 74.60
Gist-Broc. C	Fl. 37.50	-	-	64	1.80	-	-	Fl. 35
Hoogovens C	Fl. 90	217	1.70	90	4.60	2	5.10	Fl. 81.50
Hoogovens P	Fl. 90	500	9.50	5	10.50	4	13.20	Fl. 81.50
KLM C	Fl. 50	283	0.70	198	2.30	8	3.30	Fl. 46.10
KLM P	Fl. 50	93	4	29	5	-	-	Fl. 46.10
KNP C	Fl. 50	266	2.10	119	3.30	40	4	Fl. 49.30
KNP P	Fl. 47.50	64	1.50	-	-	-	-	Fl. 49.30
NEDLLOYD C	Fl. 90	62	3	18	6.50	60	8.50	Fl. 85.60
NEDLLOYD P	Fl. 90	30	6	150	9	-	-	Fl. 85.60
NMB C	Fl. 50	-	-	111	1.60	-	-	Fl. 46
Nat.Ned. C	Fl. 70	629	2.30	73	4.20	20	5.20	Fl. 69.70
Nat.Ned. P	Fl. 70	89	1.70	14	2.60	5	5.20	Fl. 69.70
Philips C	Fl. 50	566	1.60	39	3.40	76	4.50	Fl. 48.50
Philips P	Fl. 45	194	0.80	253	2.10	2	2.60	Fl. 48.50
Royal Dutch C	Fl. 140	47	3.30 a	110	6.50	200	7.80	Fl. 137.30
Royal Dutch P	Fl. 140	410	4.50	25	6	200	8.60	Fl. 137.30
Unilever C	Fl. 160	99	1.70	98	4.70	3	7.20	Fl. 151.80
Unilever P	Fl. 140	151	0.80	127	2	-	-	Fl. 151.80
Wessanen C	Fl. 65	193	1.70	39	3.80	4	5	Fl. 61.20
Wessanen P	Fl. 65	5	4.20	-	-	80	6.70	Fl. 61.20

TOTAL VOLUME IN CONTRACTS : 31,202

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	Nat Westminster	15
Adam & Company	15	Comm. Bk. N. East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	First National Bank Plc.	16	Standard Chartered	15
Bank Credit & Comm	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	15	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bank	15	Yorkshire Bank	15
Brit Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		

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BANK RETURN

BANKING DEPARTMENT	Wednesday November 22, 1989		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	239,262,730	+	184,969,590
Bankers Deposits	1,624,209,250	+	48,301,313
Reserve and other Accounts	1,741,238,907	-	585,097,207
	3,619,263,887	-	351,806,304
ASSETS			
Government Securities	1,560,544,042	-	45,982,492
Advance and other Accounts	577,881,248	-	540,684,375
Premises Equipment & other Secs	1,474,848,262	+	240,613,344
Notes	5,993,552	-	5,572,624
Coin	196,783	-	257
	3,619,263,887	-	351,806,304
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,124,006,448	+	55,572,624
Notes in Banking Department	5,993,552	-	5,572,624
	15,130,000,000	+	50,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	12,466,668,810	+	15,656,263
Other Securities	2,652,316,090	+	34,343,737
	15,130,000,000	+	50,000,000

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Nov 24 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Thu Nov 23 Index No.	Wed Nov 22 Index No.	Tue Nov 21 Index No.	Year ago (approx) Index No.	1989 High		1989 Low		Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (205)	861.58	-0.2	13.14	4.02	9.33	28.51	863.70	857.50	852.96	791.59	1012.97	18/8	775.54	3/1	1038.87 16/7/87	50.72 13/12/74
2 Building Materials (28)	1034.83	----	15.38	3.43	8.10	15.83	1034.92	1025.92	1018.26	982.59	1287.14	19/5	939.06	3/1	1381.00 16/7/87	44.27 11/12/74
3 Contracting, Construction (37)	1380.29	-0.4	17.97	5.60	7.30	56.64	1385.64	1383.30	1378.11	1512.02	1801.66	14/3	1306.13	27/10	1951.50 16/7/87	71.48 2/12/74
4 Electricals (10)	2397.11	-1.0	11.39	5.19	11.04	83.50	2420.24	2422.73	2426.03	2372.13	3040.80	8/9	2294.30	3/1	3040.80 8/9/89	84.71 25/6/62
5 Electronics (30)	1898.11	-0.2	9.70	3.72	13.28	51.07	1901.35	1882.42	1877.50	1723.95	2308.22	19/5	1776.44	3/1	2308.22 19/5/89	1229.81 8/10/85
6 Mechanical Engineering (53)	449.57	-0.2	12.52	5.85	9.73	14.90	450.49	446.72	447.94	416.68	558.05	20/7	406.34	3/1	558.05 20/7/89	45.43 3/1/75
8 Metals and Metal Forming (6)	456.99	-0.1	25.80	6.55	4.37	16.13	457.44	455.75	454.90	491.38	562.47	19/3	439.27	27/10	596.67 9/10/87	49.65 6/1/75
9 Motors (17)	353.65	+0.4	11.32	4.93	10.35	11.79	352.40	351.02	349.02	274.29	378.65	22/9	258.24	3/1	411.42 13/10/87	19.91 6/1/75
10 Other Industrial Materials (24)	1612.98	-0.7	10.28	4.66	11.47	54.87	1623.57	1609.33	1582.49	1328.17	1881.53	18/8	1311.63	3/1	1881.53 18/8/89	277.55 15/1/81
21 CONSUMER GROUP (185)	1250.78	+0.3	8.86	3.58	14.18	29.55	1246.61	1233.56	1233.11	1045.63	1417.92	4/9	1016.74	3/1	1417.92 4/9/89	61.41 13/12/74
22 Brewers and Distillers (23)	1418.63	+0.8	9.34	3.49	13.38	28.12	1406.81	1393.12	1392.29	1126.94	1503.71	3/9	1112.42	3/1	1583.71 5/9/89	69.47 13/12/74
25 Food Manufacturing (20)	1090.30	-0.2	9.44	3.97	13.30	25.81	1100.72	1085.21	1084.45	933.68	1220.42	4/9	926.04	3/1	1220.42 4/9/89	59.67 11/12/74
26 Food Retailing (15)	2233.52	-0.3	9.43	3.18	13.99	44.99	2240.86	2222.12	2223.96	1826.40	2722.30	5/9	1784.64	3/1	2722.30 3/9/89	54.25 11/12/74
27 Health and Household (14)	2537.90	+0.3	6.21	1.94	19.19	41.91	2529.73	2499.98	2496.39	1825.07	2772.31	4/9	1778.20	3/1	2772.31 4/9/89	175.38 28/5/80
29 Leisure (35)	1556.37	-0.3	8.38	3.73	14.68	41.11	1564.10	1551.58	1552.60	1386.63	1845.77	8/9	1344.22	3/1	1845.77 8/9/89	54.83 9/1/75
31 Packaging & Paper (14)	533.15	+0.4	12.32	5.41	10.17	17.67	530.80	530.95	532.24	528.11	623.86	4/9	512.34	16/10	739.48 16/7/87	43.46 6/1/75
32 Publishing & Printing (18)	3626.52	----	8.63	4.83	14.99	110.23	3626.39	3602.06	3581.51	3337.00	3916.24	6/2	3236.76	4/1	5070.66 3/10/87	55.08 6/1/75
34 Stores (32)	769.54	+1.6	13.14	4.84	11.70	24.22	757.29	747.92	749.74	727.65	921.71	4/9	679.97	3/1	1160.58 29/7/87	52.63 6/1/75
35 Textiles (14)	502.10	----	11.40	5.89	10.64	18.11	502.39	498.67	498.77	484.31	586.98	21/9	464.58	8/10	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (95)	1114.78	-0.1	10.78	4.67	11.25	27.82	1116.32	1108.86	1107.55	891.96	1225.60	3/9	896.15	3/1	1225.60 3/9/89	58.63 6/1/75
41 Agencies (17)	1490.68	-0.3	7.04	2.44	17.44	26.28	1494.57	1490.98	1492.26	1036.89	1630.70	5/9	1030.84	3/1	1795.57 17/7/87	870.35 4/12/87
42 Chemicals (22)	1190.09	+0.8	12.76	5.37	9.22	43.57	1180.28	1169.60	1168.65	1019.78	1378.94	11/8	1026.37	3/1	1545.46 3/10/87	71.20 1/12/74
43 Conglomerates (14)	1613.58	-0.2	10.77	5.31	10.96	36.25	1616.38	1599.41	1573.12	1240.99	1819.46	11/8	1254.94	3/1	1819.46 11/8/89	975.19 10/11/87
45 Transport (13)	2119.53	-0.1	11.24	4.53	11.35	57.65	2121.83	2105.19	2103.29	1901.40	2554.69	12/7	1836.25	4/1	2554.69 12/7/89	90.80 29/6/62
47 Telephone Networks (2)	1083.57	-0.9	11.72	4.73	11.09	22.38	1093.63	1089.51	1098.18	981.33	1195.04	25/9	1002.43	3/1	1274.14 9/6/87	517.92 30/11/84
48 Miscellaneous (27)	1851.62	+0.1	9.33	4.43	12.10	45.43	1849.82	1838.87	1839.55	1194.98	2087.86	11/7	1183.56	3/1	2087.86 11/7/89	60.39 6/7/75
49 INDUSTRIAL GROUP (485)	1124.57	----	10.47	4.23	11.78	29.60	1123.97	2114.36	2112.34	951.76	1273.71	5/9	935.74	3/1	1273.71 3/9/89	59.01 13/12/74
51 Oil & Gas (15)	2232.97	+0.5	9.70	5.13	13.63	96.40	2221.21	2185.16	2165.86	1720.23	2306.36	13/9	1725.40	8/8	2458.60 16/7/87	87.23 29/5/62
59 500 SHARE INDEX (500)	1117.27	+0.1	10.36	4.36	12.01	35.18	1215.79	1204.86	1200.60	1017.14	1355.60	3/9	1002.81	3/1	1349.88 16/7/87	63.49 13/12/74
61 FINANCIAL GROUP (121)	783.47	-0.1	-	3.37	-	28.61	784.35	774.34	772.11	681.14	824.58	8/9	670.86	3/1	896.67 13/10/87	55.88 13/12/74
62 Banks (9)	819.98	----	21.83	6.09	6.25	35.17	819.77	801.90	798.80	667.76	846.87	25/8	657.74	3/1	898.38 16/7/87	62.44 12/12/74
65 Insurance (Life) (8)	1315.88	+0.3	-	5.85	-	47.56	1312.39	1282.80	1271.87	923.85	1315.88	24/11	933.96	3/1	1315.88 24/11/89	44.88 2/1/75
66 Insurance (Composite) (7)	655.12	+0.3	-	5.77	-	28.34	652.91	642.21	639.85	505.24	682.20	14/9	528.72	3/1	707.58 13/10/87	43.96 13/12/74
67 Insurance (Brokers) (7)	1092.43	+2.8	6.90	5.73	19.30	45.26	1070.66	1065.15	1067.10	902.12	1096.88	8/11	916.68	3/1	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks (11)	421.70	+0.2	-	4.07	-	9.70	420.60	421.61	421.36	328.33	427.69	10/11	318.05	3/1	547.59 12/10/87	31.21 7/1/75
69 Property (49)	1144.72	-1.3	7.94	3.68	15.93	23.34	1160.22	1162.09	1159.80	1268.23	1390.87	8/9	1126.55	17/10	1390.87 3/9/89	56.01 20/4/65
70 Other Financial (30)	311.42	-0.4	11.11	6.89	10.00	14.48	312.56	315.69	320.48	358.74	391.49	8/2	304.56	16/10	603.40 16/7/87	33.29 17/12/74
71 Investment Trusts (69)	1233.82	+0.3	-	2.84	-	22.73	1229.34	1218.30	1211.36	914.40	1288.84	8/9	922.84	3/1	1288.84 8/9/89	71.12 13/12/74
81 Mining Finance (1)	677.48	-0.2	11.02	3.98	10.20	22.25	678.77	672.07	673.64	567.24	754.47	8/9	561.50	3/1	754.47 8/9/89	66.31 30/9/74
91 Overseas Traders (7)	1407.19	+0.1	9.82	3.74	11.67	54.79	1405.61	1396.29	1384.65	1362.25	1543.93	8/9	1255.90	17/10	1543.93 8/9/89	97.37 6/1/75
99 ALL-SHARE INDEX (698)	1114.00	+0.1	-	4.47	-	33.23	1113.02	1101.79	1098.59	934.36	1225.88	3/9	921.22	3/1	1238.57 16/7/87	61.92 11/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 23	Nov 22	Nov 21	Nov 20	Nov 17	Year ago	1989 High		1989 Low		Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2222.4	+1.9	2224.6	2215.0	2220.5	2192.3	2185.1	2183.1	2221.4	1794.7	2426.0	3/9	1782.8	3/1	2443.4 16/7/87	986.9 23/7/84

FIXED INTEREST

PRICE INDICES	Fri Nov 24	Day's change %	Thu Nov 23	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	117.04	+0.14	116.88	-	18.38
2 5-15 years	130.64	+0.41	130.11	-	11.60
3 Over 15 years	139.57	+0.54	138.83	-	12.71
4 Irredeemables	157.53	+1.03	155.92	-	13.42
5 All stocks	128.66	+0.34	128.23	-	11.52
Index-Linked					
6 Up to 5 years	140.08	+0.23	139.76	-	2.79
7 Over 5 years	138.04	+0.03	138.00	-	3.21
8 All stocks	138.08	+0.04	138.02	-	3.15
9 Debentures & Loans	106.44	-0.04	106.48	-	9.39
10 Preference	85.21	+0.04	85.18	-	5.26

AVERAGE GROSS REDEMPTION YIELDS		Fri Nov 24	Thu Nov 23	Year ago (approx.)	1989 High		1989 Low	
British Government								
1 Low	3 years	10.09	10.10	10.27	10.48	11/10	8.88	9/2
2 Coupons	15 years	9.68	9.75	9.48	9.82	20/11	8.77	9/2
3	25 years	9.60	9.68	9.05	9.75	20/11	0.73	16/2
4 Medium	3 years	11.13	11.17	10.66	11.33	14/6	9.96	8/2
5 Coupons	15 years	10.05	10.12	9.71	10.28	14/6	9.21	8/2
6	25 years	9.78	9.76	9.27	9.86	20/11	8.05	17/2
7 High	3 years	11.25	11.29	10.82	11.44	14/6	10.13	8/2
8 Coupons	15 years	10.26	10.33	9.82	10.49	14/6	9.41	8/2
9	25 years	9.84	9.91	9.31	10.00	20/11	8.99	27/1
10 Irredeemables†		9.68	9.70	8.92	9.82	20/11	8.68	15/3
Index-Linked								
11 Inflation rate 3%	Up to 5yrs.	3.73	3.79	3.54	4.18	13/10	2.73	21/8
12 Inflation rate 3%	Over 3 yrs.	3.69	3.69	3.71	3.84	3/6	3.41	21/8
13 Inflation rate 10%	Up to 3 yrs.	2.85	2.90	2.34	3.38	2/6	1.91	21/8
14 Inflation rate 10%	Over 3 yrs.	3.51	3.51	3.54	3.67	5/6	3.23	21/8
15 Debs &	3 years	12.59	12.59	11.32	13.82	3/11	11.47	30/12
16 Loans	15 years	12.12	12.11	11.06	12.49	13/10	11.19	1/2
17	25 years	12.12	12.11	10.79	12.12	21/11	10.66	27/2
18 Preference†		10.77	10.77	10.31	10.81	22/11	10.00	17/3

‡Opening index 2224.1; 10 am 2216.9; 11 am 2222.4; Noon 2220.4; 1 pm 2219.8; 2 pm 2217.4; 3 pm 2216.9; 3.30 pm 2215.4; 4 pm 2217.9 (a) 9.09am (b) 3.24pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.87	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.87	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/73	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 32p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Bremner ....fin	nil	-	nil	nil	0.25♠
Clyde Blowers ....fin	8.32	-	8.32	7.15	7.15
Leigh Interests ....int	2.22†	-	2.02	-	6.22
Moran Holdings ....fin	nil	-	2	1	3
VSEL Consortium ....int	4.5	Jan 15	3	-	11

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♠For 18 months.

LEGAL NOTICES

No. 008964 of 1989

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
SKF ENGINEERING PRODUCTS LIMITED
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 7th November 1989 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £1,200,000 divided into 1,200,000 Ordinary Shares of £1 each to £298,802 divided into 298,802 Ordinary Shares of £1 each.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Harman at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 4th day of December 1989.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 25th day of November 1989

LANE & PARTNERS
46/47 Bloomsbury Square
London WC1A 2RU
Ref: GMPL/154.18

Solicitors for the Company

No 00 7168 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
CHARLES JOURDAN LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition presented to Her Majesty's High Court of Justice on 14th day of November 1989 for the confirmation of the reduction of the capital of the above-named Company from £2,075,923 to £575,000 is directed to be heard before the Honourable Mr. Justice Harman at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 4th day of December 1989.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 25th day of November 1989.

Denton Hall Burgin & Warrens
Five Chancery Lane
Clifford's Inn
London EC4A 1BU
Ref: MLW
Solicitors for the above-named Company.

EDUCATIONAL

PERSONAL

INTERNATIONAL COMPANIES AND FINANCE

Groupe Victoire holds partnership talks with Baltica

By George Graham in Paris and Hilery Barnes in Copenhagen

GROUPE VICTOIRE, tbe French insurance company taken over this summer by the Suez financial conglomerate, is continuing its breakneck rush to create a giant European insurance network with discussions on a major partnership with Baltica Holding, tbe leading Danisb insurer.

Victoire agreed earlier this year to acquire Colonia, West Germany's second largest insurance company, for around FFr12bn ($1.94hn), and announced earlier this month that it was in advanced discussions on the ecquisition of Nieuw Rotterdam, the fifth largest insurer in the Netherlands.

At the same time, Suez is negotiating with a number of insurers on the sale of up to 49 per cent of Victoire, in which it has owned 100 per cent since winning e takeover battle in the summer.

Union des Aesurances de Paris, the leading French state insurance group, appears to be the most strongly placed, and is eager to take at least 33.4 per cent.

The negotiations witb Baltica may, however, pit Suez once again against Mr Jean-Marc Vernes, the financier who controlled Victoire until be lost the takeover battle to Suez in September.

Société Centrale d'Investissement, controlled by Mr Vernes, declared in October tbat it had bought more than 10 per cent of the shares of Baltica Insurance, the 82 per cent-owned operating arm of Baltica Holding, from a Danish mntual insurer.

Mr Veroes could not be contacted last night, and it was unclear whetber he was aware at the time of his purchase of Victoire's talks with Baltica.

Neither Victoire nor Suez, its parent company, would give more details of its plans with Baltica, but it is understood that the talks centre more on co-operation accompanied by an exchange of shares. An outright acquisition is thought most unlikely, but some analysts believe Suez plans further acquisitions in other European countries.

Victoire's stream of deals has raised a number of questions among insurance specialists, who doubt wbether the French company will be able to win a satisfactory return on its investments.

Traditionally a conservatively managed insurer, with heavy reeerves and a high quality client base, Victoire is expected to bave difficulty imposing its philosophy on Colonia, which at the moment has low profit margins.

Suez's Frencb investment banking rival Paribas is present in Denmark through an agreement with Hafnia, the second largest Danish insurer, with which it has exchanged small share stakes. Baltica made its first international splash last spring when it bought a 10 per cent stake in Hambros Bank of the UK and established contacts witb the three other major shareholder groups in Hambros.

Esselte's profits tumble by 44% in third quarter

By Robert Taylor in Stockholm

ESSELTE, the Swedish office automation and supplies group, reported worse than expected reeults yesterday with a 44 per cent decline in its third-qaurter profits, after finencial items, to SKr61m ($9.5m) from SKr110m.

Earlier in the year the company said that it believed its performance during the second half of 1989 would turn out to be better than in tha first half.

Yesterday Esselte said its results for the wbole year were now not expected to be up to the level of 1988, though it still forecast a rise of around 15 per cent in its sales figures.

Over the first nine months Esselte recorded a 9 per cent fall in its profits, after financial items, to SKr466m from SKr514m, although sales rose by 17 per cent to SKr11.69bn from SKr9.98hn.

Mr Hans Larsson, chief executive, sald the disappointing performance was due in part to a decline in demand worldwide in the advertising industry for office products as well as Esselte's decision to invest in new products sucb as graphic design software.

Tbe group had also been forced to spend more on its pay-TV operations in the face of severe competition.

Results in the office supplies business had improved despite weakening demand, witb a strong recovery reported in Nortb America.

Esselte also reported continuing growth in the business systems unit in Sweden and Finland, though the Norway market remained weak.

The informetion systems division also reported e rapid and profitable expansion in the area of data-hased business information services.

Maxwell bids $250m for half of Clal

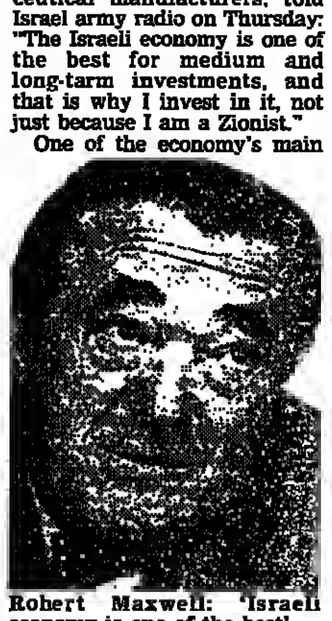
By Eric Silver in Jerusalem

MR ROBERT MAXWELL, the British publisher, branched out this week with a $250m bid for a 50 per cent stake in Clal, Israel's second biggest conglomerate with holdings in textiles, electronics, industry, property, insurance and finance.

Clal, whicb is traded on the Tel-Avlv stock exchange, is controlled hy two of Israel's big three banks, Discount and Hapoalim.

Mr Maxwell, whose previous Israell investments were in in e newspaper, Ma'ariv, tbe innovative computer graphics firm Scitex and tbe Teva pharmaceutical manufacturers, told Israel army radio on Thursday: "The Israeli economy is one of the best for medium and long-tarm investments, and that is why I invest in it, not just because I am a Zionist."

One of the economy's main



Robert Maxwell: 'Israeli economy is one of the best'

attractions was its free-trade agreement with the US, he edded. Clal, be sald, was a well-maneged company, but needed foreign investors to improve business with Europe and the US.

Discount and Hapoalim at first rejected the offer, but a epokesman for Mr Maxwell said that negotiations were continuing.

Earlier this week Mr Maxwell surprised tbe Tel-Avlv media world by appointing Israel's most successful editor, Mr Dov Yudkovsky, to bead his Mirror Group operations here.

Mr Yudkovsky had been forced by a boardroom battla to resign from the evening paper Yediot Aharonot, which be had built up over 40 years to be Israel's best-selling daily with weekend sales of 500,000.

Mr Maxwell has denied any intention of making personnel changes at the top of Ma'ariv, Yediot Aharonot's struggling rival, of which he owns 30 per cent, hut he is not expected to stand still.

Sir Ron puts his stamp on Stanley Gibbons

By Terry Hall in Wellington

SIR RON BRIERLEY, the New Zealand entrepreneur, is going back to his first jnb, stamp dealing, in his retirement.

As a schoolboy at Wellington college, Sir Ron (pictured right) made a name for himself as a successful stamp trader among his fellow pupils. Last night it was disclosed that he is to buy in a personal capacity a 37.5 per cent shareholding in the Australian subsidiary of Stanley Gibbons, the British stamp group.

Mr John Mowbray, an old friend and stamp dealer, is to buy the other 12.5 per cent.

The company is expected to become a hobby business for Sir Ron, wbo is retiring to Sydney after his decision two months ago to resign as chairman of the international group of companies which includes Brierley Investments and Industrial Equity Pacific.

It is expected that the Australian company might invest in other areas and opportunities apart from stamps, and Sir Ron will play a key role in its direction. He is investing A$150,000 and Mr Mowbray A$50,000 into the husiness hy bnying its B shares.

It is considered to be a substantial capital for a stamp business and suggests that Sir Ron intends it to be a significant force.

Sir Ron, who is in his early fifties, has had a lifetime love affair with stamps, and reported to have major accumulations in Britain, Australia and New Zealand which he steadily adds to. He is helieved to upgrade his collection regularly by weeding out inferior stamps and selling them at auction to buy better versions.

Sir Ron displayed an interest in the stamp business this year when, as chairman of IEP, he bought 29.86 per cent of the shares in Stanley Gibbons.

The deal to buy the 50 per cent share in the Australian subsidiary was taken to help capltalise debt it owed the London parent.

Sir Ron's decision to take an active role in the Australian company, which operates as a dealer and auctioneer in stamps, answers some of the questions about what he will do in the future following his surprise decision to retire as chairman of Brierley Investments, the company he founded and controlled from 1962.

Futures default costs Westpac NZ$10m

By Terry Hall In Wellington

WESTPAC BANKING Corporation yesterday confirmed lt has lost NZ$10m (US$5.9m) in the second major default facing the New Zealand Futures Exchange this week.

On Tuesday, Jordan Sandman Futures, a subsidiary of Melhourne stockbroker J.B. Were, refused to make good a NZ$5.7m margin call hy an unidentified London-based client.

On Thursday, Westpac found itself in eimilar difficulties but wrote a cheque for its client's unpaid bills, averting a possible collapse. Westpac said it would absorb the loss as it had total assets of NZ$10.8bn.

Westpac's defaulting client is believed to be the same London-based company that was unable to pay Jordan on Tuesday.

Westpac said it had bought futures on behalf of a third party and would he taking legal action to recover money owed to lt.

Jordan was suspended from the exchange after failing to meet margin payments on NZ$800m of stock. The firm had been playing the short end of the futures market since July, expecting longer-term rates to rise.

However, most other investors took the other view, going short on physical stock. This forced Jordan to cover, and its buying sent pbyslcal rates tumbling on Tuesday, causing the International Commodities Clearing House to make a margin call on Jordan short contracts.

Jordan could not meet the payment and lts client said funds were not available. The brokar was suspended. The futures exchange decided to "invoice hack" Jordan's contracts, a move that cost members with long positions about NZ$10m.

Westpac, however, absorbed its losses and paid the margin calls for its client's 6,600 contracts at a cost of NZ$10m.

Meanwhile the exchange said shares in Jordan would remain suspeuded. The NZFE's 18 trading members will meet on December 18 to consider expelling Jordan from the exchange.

Komatsu boosts group net income by 36%

By Ian Rodger in Tokyo

CONSOLIDATED NET income of Komatsu, the Japanese construcion equipment concern, rose 36 per cent to Y13.3bn on sales of Y420.1bn ($2.91bn), up 13.4 per cent, in the six months ended September 30, 1989.

The trend of these results shows little variation from those of the parent company, iesued tbree weeke ago, reflecting the success of the domestic husinesses at a time wben Japan's economy is booming:

Consolidated domestic sales of construction equipment were up 13.5 per cent to Y172.3bn whila overseas sales grew only 4 per cent to Y117.6bn. Total sales of industrial machinery were np 20.9 per cent to Y32.1bn. Consolidated pre-tax profits jumped 46.2 per cent to Y27.2bn.

For the full year, the group projects a consolidated net income of Y27bn, up 29.8 per cent.

● Konica, Jepan's second largest producer of pbotosensitive materials, reported tbat pre-tax profit for the half year to end-September rose 36.5 per cent to Y7.65bn on a 7 per cent rise in film sales and e better cost-to-sales ratio, writes Robert Thomson.

Total sales rose 0.7 per cent to Y175.67bn, although sales of business machines, which account for aboot 28 per cent of revenue, fell hy 7 per cent. The company expects business machine sales to improve in the second half and that total sales for the full year will rise 5.6 per cent to Y375bn and pre-tax profit by 15.6 per cent to Y17.5bn.

● Kajima, the Japanese construction company, reported a 12.1 per cent improvement in pre-tax profit to Y26.3bn in the first half to end-September as demand in the construction market pushed the industry's larger companies to capacity, writes Robert Thomson.

Sales in the period rose 11.5 per cent to Y603.1bn, a rise the company said was attributable to continuing demand from industry for new plant and redevelopment projects in large cities.

Sales from huilding construction rose 22.8 per cent while those for civil engineering projects were flat.

The company expects that sales for the full year to end March will he Y1,430bn, np from Y1,241bn last year, while pre-tax profit is projected at Y68bn, up from Y49.5bn.

Turkey considers Peugeot production plant

By Jim Bodgener in Ankara

PLANS for a large car assembly plant near Izmir in Turkey producing both Peugeot and Citroën models are being considered by Turkey's central State Planning Organisation. A decision on the plant, which eventually could produce up to 100,000 cars annually, is expected by the end of the month.

Peugeot is planning the project – which is understood to involve investment of $200m – with the UK's Polly Peck International, run hy the Turkish-Cypriot entrepreneur Mr Asil Nadir, and Turkey's Cukurova Group, among the top three domestic industrial conglomerates. Initially the production lines at Torbali will produce 5,000-10,000 cars a year.

Turkey has become increasingly attractive to multinational car makers. General Motors will complete a plant next year near Izmir to produce up to 15,000 annually of tbe Vectra marque made by Opel in West Germany, while both Volkswagen and Volvo are looking at the market.

In the doldrums for most of this year because of inflation, domestic damand for cars plcked up in September and October as public sector salary and wage handouts in the summer increased demand for consumer durables.

Car output rose by 27 per cent to 12,373 units in October compared with the same month in the previous year. Tha overall output of vehicles rose 17 per cent to 17,013 units, but total automotive prodnction for the first ten months of the year was still down by 16 per cent at 127,742 vehicles, according to the Automotive Manufacturers' Association.

...But the Peugeot-Citroën project has run into stiff opposition from the multi-national car-makers already established in Turkey, under the names Tofas (Fiat), Oyak-Renault, and Oto-san (Ford). These were established as import suhstitution plants in the 1960s and 1970s under the closed, command economic regime prior to 1980.

GM lowers stake in Isuzu Motor

GENERAL MOTORS, tbe premier US motor group, has reduced its shareholding in Isuzu Motor of Japan through the sale of 20m shares for Y19.72bn ($137m), AP-DJ reports.

GM is reportedly planning to use part of the income on sales promotion in the US, Isuzu said. The disposel reduces GM's stake in Isuzu from 40.2 per cent to 38 per cent.

Isuzu said that, judging from the amount of equity GM gave up this time, it understood that the US company intended to raise funds without burting its stance as the largest shareholder of Isuzu.

If all Isuzu's outstanding convertihle bonds were converted to stocks, Isuzu said, GM would still own 35 per cent of the outstanding shares. This would allow GM to retain its legal rights as the largest shareholder.

Isuzu said a further reduction by GM was not planned. It said the disposal would not change the relationship between the two companies.

The Isuzu shares are to be placed at Y986 a share with Japanese institutions.

Matra to sell firearms unit

MATRA, the French arms and electronics group, is negotiating to sell its cartridge-machine and revolver business to Fabriqua Nationale Herstal, the Belgian aeronautics and small arms group, Reuter reports.

Matra said the projected sale of an 80 per cent stake in Matra Manurhin Defense to FN would require approval by the Frencb Government.

The company was unable to say when the sale would be concluded.

Manurhin's anti-tank activities and ammunition production facilities at Cussay in central France would not be part of the deal, Matra added.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latesl prices	Changa on week	Yaar ago	High 1989	Low 1989
Gold per troy oz.	$416.25	+25.00	$424.25	$416.25	$356.5
Silver Per troy oz	376.15p	+1S.35	333.70p	376.15p	313.80p
Aluminium 99.7% (cash)	$1708.5	-8.5	$2425	$2810	$1664
Copper Grade A (cash)	£1589.5	-22.5	C1907.5	C1982.S	£1474
Leed(cash)	£421.9	-18.5	£392.5	£487.S	£337
Nickel (cash)	$9600	-575	$14195	$19350	$8275
Zinc (cash)	$1360.9	-80	$1632.S	$2107.5	$1360
Tin (cash)	$6790	-120	£4045	$10760	$6790
Cocoa Futures (Mar)	£653	-21	£890	£947	£653
Coffee Futures (Jan)	£682	-3	£107S	£1270	£658
Sugar (LDP Rew)	$369.0	-3.S	$283.4	$381.0	$235.S
Barley Futures (Mar)	£113.50	-.35	£110.60	£113.85	£100.95
Wheal Futures (Mar)	£117.20	+1	£110.S	£121.85	£104.7
Cotton Outlook A Index	$1.25c	-1	58.30c	84.95c	61.35c
Wool (64s Super)	580p	-S	610p	710p	580p
Rubber (Spol)	$7.00p	-.7S	55.5p	64p	55p
Oil (Brent Blend)	$1S.525z	-0.075	$14.60	$21.35	61S.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. z-Jan

SPOT MARKETS		
Crude oil (per barral FOB)		+ or -
Dubal	$15.95-6.05z	+.10
Brent Blend	$18.43-8.47z	+.075
W.T.I. (1 pm est)	$10.86-9.91z	-.04
Oil products (NWE prompl delivery per tonne CIF)		+ or -
Premium Gasoline	$186-188	
Gas Oil	$190-191	+3
Heavy Fuel Oil	$104-105	+2.5
Naphtha	$159-161	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$416.25	+4.50
Silver (per troy oz)♣	586c	+4
Platinum (per troy oz)	$536.50	+3.70

COCOA – London FOX £/tonne	Close	Previous	High/Low
Dec	668	675	675 667
Mar	653	660	660 648
May	654	668	659 659
Jul	075	682	682 672
Sep	692	697	696 688
Dec	716	721	720 712
Mar	735	741	741 733

Turnover: 5775 ($183) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 24 N/A (772.34):10 day average for Nov 23 N/A (800.62)

COFFEE – London FOX £/tonne

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,475 tonne
Cash	1707-10	1685-8	1691	1690-1		
3 months	1707-10	1695-6	1708/1695	1697-9	1708-10	32,199 lots
Copper, Grade A (£ per tonne)						Ring turnover 50,625 tonne
Cash	1589-90	1589-90	1589/1587	1586-7		
3 months	1594-5	1597-8	1598/1586	1593-4	1595-6	67,130 lots
Lead (£ per tonne)						Ring turnover 7,450 tonne

US MARKETS

IN THE METALS, gold prices continued to rise on heavy technical buying, reports Drexel Burnham Lambert. December gold was up over 7 dollars, the day's most active market. Silvar and platinum advanced following gold's strong parformance. Copper rose with mostly local activity. The grains markets slipped after light local selling. January soybeans losl over four cents. Cotton was featurelss. In the livestocks, prices remained highar, led by large gains in the pork bellies. Commission house and local buyers were the major players. Tha energy complex continued to feature slow, sidaweys action in the crude oil and gasoline futures. Heating oil climbed as resistance levels were penetrated. The coffee, sugar and cocoa markets wera all closed, as was orange juice.

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Nov	108.90	109.85	0	0
Dec	110.60	109.90	110.60	110.60
Jan	107.95	108.30	107.95	107.40
Feb	107.30	108.70	0	0
Mar	105.60	105.00	105.90	104.50
Apr	105.00	104.50	0	0
May	104.50	104.00	104.60	104.40
Jun	104.10	103.60	0	0
Jul	103.70	103.20	0	0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Dec	238/0	238/4	239/6	237/6
Mar	241/6	243/0	244/0	241/4
May	245/4	247/6	248/0	245/0
Jul	248/6	250/4	251/4	248/4
Sep	242/4	244/4	245/4	242/4
Dec	239/0	241/2	242/0	238/6
Mar	245/4	248/0	248/4	245/4

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling weaker

THE DOLLAR fell below DM1.80 for the first time since early January, touching a low of DM1.7935 yesterday. It rallied to close in London near the top of the day's range at DM1.8050, compared with DM1.8160 on Thursday. Resistance at DM1.7980 was not conclusively broken, and with the market generally long of D-Marks dealers questioned whether pressure is strong enough to push the dollar into a trading range below DM1.80 in the immediate future.

There were no fresh factors to move the dollar in thin trading with many New York traders extending Thursday's US Thanksgiving holiday into a weekend break. The US currency fell to Y143.45 from Y144.25; to SFr1.6150 from SFr1.6160; and to FFr6.1600 from FFr6.1875. The dollar's index fell to 69.3 from 69.6.

Sterling continued to retreat against the D-Mark, touching a low of DM2.81, but like the dollar closed towards the top of its range at DM2.82. This was still a fall of 1¾ pfennigs however, and the lowest closing level since February 1987. The pound gained 5 points to $1.5625, but declined to Y224.25 from Y225.25; to SFr2.5225 from SFr2.5250; and to FFr9.6250 from FFr9.6650. Sterling's index fell 0.3 to 86.7.

The Bank of England supported the pound during the morning by selling dollars, but there was no intervention against the European Currency Unit. This led to comments that the authorities are trying to hold sterling steady against the dollar, but feel unable to perform the same task against the very strong D-Mark. The Group of Seven accord is preventing direct intervention against the D-Mark and sales of ECU's have provided limited success.

Political uncertainty is undermining the pound. The currency may have shown a better performance after Thursday's announcement of a lower than feared UK trade deficit in October but for the possible threat to Mrs Margaret Thatcher's leadership of the Conservative Party.

Mr Mark Cliffe, economist at Nomura Research Institute, said that in the very unlikely event of Mrs Thatcher being forced to step down sterling would fall, but a successor is more likely to favour membership of the European Monetary System and therefore any weakness could be temporary.

In Paris tha D-Mark was fixed at its highest level against the French franc since January 4 as speculation mounted that France will scrap its remaining currency controls next month.

£ IN NEW YORK

Nov.24	Latest	Previous Close
£ Spot	1.5620-1.5630	1.5645-1.5695
1 month	0.84-0.83pm	0.93-0.92pm
3 months	2.39-2.36pm	2.57-2.55pm
12 months	8.38-8.28pm	8.67-8.57pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.24	Previous
8.30 am	86.7	86.9
9.00 am	86.6	86.9
10.00 am	85.7	87.0
11.00 am	86.7	87.1
Noon	86.7	87.1
1.00 pm	86.6	87.0
2.00 pm	86.8	87.1
3.00 pm	86.8	87.1
4.00 pm	86.7	87.0

CURRENCY RATES

Nov.24	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.22533	1.38128
U.S Dollar	7	1.28268	1.15156
Canadian $	12.46	1.50074	1.32041
Austrian Sch.	6½	16.2990	14.3515
Belgian Franc	10¼	48.6296	42.8096
Danish Krone	10½	9.00185	7.91863
Deutsche Mark	6.00	N/A	2.03759
Neth.Guilder	7.00	2.61282	2.29898
French Franc	10¼	7.89746	6.95737
Italian Lira	13½	1707.73	1505.14
Japanese Yen	3¼	184.514	162.435
Norway Krone	8	8.79277	7.75455
Spanish Peseta	-	148.410	130.808
Swedish Krona	9½	8.20787	7.24309
Swiss Franc	6.00	2.06101	1.82180
Greek Drach.	20½	218.340	185.779
Irish Punt	-	0.88461	0.773290

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Nov.22

CURRENCY MOVEMENTS

Nov.24	Bank of England Index	Morgan** Guaranty Changes %
Sterling	86.7	-23.9
U.S Dollar	69.3	-8.8
Canadian Dollar	105.3	+1.8
Austrian Schilling	108.8	+11.3
Belgian Franc	108.2	-4.4
Danish Krone	107.0	+1.7

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5600 - 1.5680	1.5620 - 1.5630	0.85-0.83cpm	6.45	2.53-2.50pm	6.44
Ireland†	1.4565 - 1.4650	1.4610 - 1.4620	0.29-0.25cpm	1.03	1.18-1.08pm	3.10
Canada	1.1650 - 1.1690	1.1670 - 1.1680	0.34-0.37cdis	-3.65	1.09-1.13dis	-3.81
Netherlands	2.0250 - 2.0395	2.0360 - 2.0370	0.01pm-0.01cdis	-	0.03-0.07dis	-0.29
Belgium	37.70 - 38.05	37.90 - 38.00	3.50-5.50cdis	-1.42	12.50-15.50dis	-1.48
Denmark	6.97½ - 7.02¼	7.01¾ - 7.01¾	2.05-2.30oredis	-3.73	6.20-6.60dis	-3.66
W. Germany	1.7935 - 1.8080	1.8045 - 1.8055	0.09-0.07pfpm	0.53	0.09-0.06pm	0.17
Portugal	156.20 - 156.65	156.55 - 156.65	80-110cdis	-7.28	320-390dis	-9.06
Spain	115.20 - 115.95	115.70 - 115.80	58-68cdis	-6.53	185-195dis	-6.57
Italy	1325 - 1332	1330 - 1330½	4.70-5.20liredis	-4.46	14.40-15.40dis	-4.48
Norway	6.83¾ - 6.86¼	6.86¼ - 6.86¾	1.95-2.20oredis	-3.63	6.65-6.95dis	-3.97
France	6.12½ - 6.17¼	6.15¾ - 6.16¼	1.00-1.07cdis	-2.02	3.30-3.45dis	-2.19
Sweden	6.38¾ - 6.42¼	6.41¾ - 6.42¼	1.73-1.88oredis	-3.38	5.60-5.85dis	-3.58
Japan	143.15 - 143.90	143.40 - 143.50	0.23-0.21ypm	1.84	0.57-0.54pm	1.55
Austria	12.66 - 12.72½	12.69 - 12.69½	0.15-0.55grodis	-0.33	0.70-1.20dis	-0.30
Switzerland	1.6055 - 1.6155	1.6145 - 1.6155	0.16-0.13cpm	1.08	0.25-0.18pm	0.53
ECU	1.1275 - 1.1390	1.1295 - 1.1305	0.22-0.21cpm	2.28	0.71-0.68pm	2.46

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.90-38.00.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5600 - 1.5680	1.5620 - 1.5630	0.85-0.83cpm	6.45	2.53-2.50pm	6.44
Canada	1.8210 - 1.8310	1.8210 - 1.8220	0.47-0.39cpm	2.83	1.28-1.18pm	2.70
Netherlands	3.17½ - 3.19¼	3.17¾ - 3.18¾	1¾-1⅝cpm	6.60	5⅛-4⅞pm	6.28
Belgium	59.05 - 59.40	59.25 - 59.35	27-22cpm	4.96	77-70pm	4.96
Denmark	10.93 - 10.97¼	10.95½ - 10.96½	2⅝-2⅛orepm	2.67	8⅛-7⅛pm	2.83
Ireland	1.0670 - 1.0750	1.0690 - 1.0700	0.40-0.35ppm	4.21	0.90-0.80pm	3.18
W. Germany	2.81 - 2.82½	2.81¾ - 2.82¾	1¾-1½pfpm	7.18	4⅝-4½pm	6.47
Portugal	243.00 - 245.35	243.00 - 244.00	15-32cpm	-1.16	82-183dis	-2.18
Spain	180.30 - 181.25	180.50 - 180.80	7-1cpm	0.27	9-4pm	0.14
Italy	2075¾ - 2089	2078 - 2079	4-3lirepm	2.02	12-10pm	2.12
Norway	10.69¾ - 10.73¾	10.72¼ - 10.73¼	2⅞-2⅜orepm	2.94	7⅞-6⅞pm	2.66
France	9.60¾ - 9.63¾	9.62 - 9.63	3⅝-3⅛cpm	4.36	7⅞-7¼pm	3.01
Sweden	9.99½ - 10.03¾	10.02½ - 10.03½	2⅝-2⅛orepm	3.07	7½-7¼pm	2.92
Japan	223¾ - 225	223¾ - 224¾	1⅝-1½ypm	8.36	4⅝-4⅜pm	8.03
Austria	19.82 - 19.90	19.83 - 19.86	10⅞-10gropm	6.31	31⅞-28½pm	6.03
Switzerland	2.51½ - 2.52¾	2.51¾ - 2.52¾	1⅝-1½cpm	7.43	4½-4¼pm	7.04
ECU	1.3810 - 1.3900	1.3890 - 1.3900	0.50-0.47cpm	4.18	1.41-1.36pm	3.98

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 59.25-59.35 Six-month forward dollar 4.84-4.79cpm 12 months 8.70-8.60cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.8096	+0.83	+0.83	±1.5424
Danish Krone	7.85212	7.91863	+0.85	+0.85	±1.6419
German D-Mark	2.05853	2.03759	-1.02	-1.02	±1.1019
French Franc	6.90403	6.95737	+0.77	+0.77	±1.3719
Dutch Guilder	2.31943	2.29898	-0.88	-0.88	±1.5019
Irish Punt	0.768411	0.773290	+0.63	+0.63	±1.6689

OTHER CURRENCIES

FORWARD RATES AGAINST STERLING

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKETS

Softer tone

INTEREST RATES eased in London yesterday. Three-month interbank fell to 15⅛-15 from 15¼-15 per cent.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England forecast a credit shortage of £650m, revised to £600m, and back to £650m. Help totalled £598m.

Before lunch the authorities bought £173m bills by way of £12m bank bills in band 1 at 14⅞ per cent, plus £40m Treasury bills and £121m bank bills in band 2 at 14¾ per cent. Another £341m bills were bought in the afternoon, via £3m Treasury bills and £186m bank bills in band 1 at 14⅞ per cent, plus £118m Treasury bills and £34m bank bills in band 2 at 14¾ per cent. Late assistance of £85m was given.

Bills maturing, repayment of late assistance and a take-up of Treasury bills drained £312m, with a rise in the note circulation absorbing £480m. These outweighed Exchequer transactions adding £120m and bank balances above target of £35m.

FINANCIAL FUTURES AND OPTIONS

	Close	High	Low	Prev.
Dec	91.79	91.80	91.75	91.74
Mar	92.35	92.37	92.32	92.32
Jun	92.43	92.44	92.41	92.40
Sep	92.30	92.31	92.28	92.26
Dec	91.99	92.00	91.99	91.95
Mar	91.91			91.87
Jun	91.79	91.77	91.77	91.75
Sep	91.71			91.67

Est. Vol. (inc. figs. not shown) 4024 (4800)
Previous day's open int. 44243 (44243)

TRADITIONAL OPTIONS

- First Dealings Nov 6
- Last Dealings Dec 1
- Last Declarations Feb 22
- For settlement Mar 5

For rate indications see end of London Share Service

Calls in Norfolk Capital, Century Oils, Wembley, Geers Gross, Kelt Energy, Aviva Pet., British & Comm., Oliver Res., Business Technology, Utd. Scientific. Put in Lowndes Queensway.

LONDON TRADED OPTIONS

THE LONDON traded options market was less active yesterday despite the modest increase in underlying equity business. The market's attention was largely focused on the FT-SE 100 index option contract, which was boosted by one significant trade.

Total market turnover stood at 23,034 contracts, of which 10,739 were calls and 12,295 were puts. FT-SE accounted for a large portion of the day's business, and traded 9,989 contracts, of which 3,374 were calls and 6,615 were puts. The December 2,300 put series was the busiest, trading 2,031 contracts.

The major feature of the day was a mildly bullish FT-SE trade executed by James Capel. The deal was based on a strangle, whereby 1,000 December 2,150 puts and 1,000 December 2,300 calls were sold at 31p and 20p, respectively. This was offset by the purchase of 2,000 December 2,300 puts at 117p, and also by buying 650 December FT-SE futures contracts at 2,215. The order was initiated at midday and was not completed until just before the close of business.

Among the stock options, Grand Metropolitan was the busiest as the underlying share rose 10 to 537p on speculation that it was set to sell its UK brewing interests. Grand Met turned over 1,366 lots, of which 566 were calls and 800 were puts. The January 500 put series was the most active, trading 800 contracts. Of the larger trades, a buyer of 250 January calls was noted.

British & Commonwealth again featured after the recent management shake up, although its share closed unchanged at 82p. Dealers noted one sale of 250 April 80 puts. B & C traded 863 lots of which 164 were calls and 699 were puts. The April 80 put series was the busiest, trading 437 contracts.

Elsewhere, Cable & Wireless traded 741 contracts, of which 613 were puts and 128 were calls. The January 460 put series was the busiest, turning over 346 contracts. Of the other features, 775 P & O contracts changed hands, and 707 TSB were also traded.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*473)	460	30	52	59	15	21	30
	500	12	30	40	39	43	50
	550	3½	13	-	83	84	-
Brit. Airways (*205)	180	28	34	37	1½	3½	5½
	200	12	20	24	6½	9	15
	220	1	-	-	95	-	-
Trafalgar (*329)	317	19	-	-	11	-	-
	330	-	26	34	-	22	26
Utd. Biscuits (*350)	330	33	43	50	5	10	15
	360	14	25	33	16	25	36
Unilever (*664)	600	75¾	92	107	5	13	16¾
	650	38½	57¾	74¼	18½	28¾	32¼
	700	13	33¼	49½	48¾	55¾	59
ASDA Grp. (*127)	14	18	23	5	8	11	130
	9	15	18	9	13	15	-

Option		Calls Nov			Puts Nov		
Gateway (*237)	220	-	-	-	½	-	-
	240	½	-	-	10½	-	-

Option		Calls Jan	Calls Mar	Calls May	Puts Jan	Puts Mar	Puts May
Polly Peck (*378)	360	31½	43¾	54¼	15½	19½	23¼
	390	16¾	28½	38¾	29¼	35¼	39

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES		Nov. 23	Nov. 22	Nov. 21	Nov. 20	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	(c)	2656.78	2639.29	2632.04	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	(c)	93.57	93.61	93.52	94.15 (2/8)	87.35 (23/3)	—	—
Transport	(c)	1166.43	1158.25	1163.25	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	(c)	221.33	220.01	220.01	222.40 (16/11)	181.24 (24/2)	227.93 (22/1/87)	10.50 (8/4/32)

♦Day's High – (2668.30) Low – (2629.91)

STANDARD AND POOR'S

Composite †	(c)	341.91	339.59	339.35	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	(c)	390.58	387.65	387.27	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	(c)	32.50	32.45	32.49	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	(c)	189.21	188.05	188.03	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	(c)	371.72	370.98	371.48	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	(c)	455.14	454.14	455.71	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov 17	Nov 10	Nov 3	year ago (approx.)
Dow Industrial Div. Yield	3.93	3.94	3.93	3.83
	Nov 15	**Nov 8**	**Nov 1**	**year ago (approx.)**
S & P Industrial div. yield	2.98	3.00	2.97	3.32
S & P Indl. P/E ratio	14.40	14.29	14.25	12.13

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Texas Util	4,458,500	34⅞	+ ½
Texas Instr	4,361,100	36½	+ 4⅛
First Bk Intl	4,117,800	17	—
Honeywell	2,579,200	79⅞	– 1
Philip Morris	2,187,500	41⅛	+ ⅛
Syntex	1,939,200	49⅝	+ 1⅛
Bristol Myers	1,809,800	56	+ 1⅛
Nat Semicon	1,687,300	7⅝	+ ⅛
Gen Electric	1,505,000	60	+ ⅛
Centerior Engy	1,448,700	14⅛	—

TRADING ACTIVITY

† Volume Millions	Nov 23	Nov 22	Nov 21
New York	(c)	145.730	147.900
Amex	(c)	13.102	11.579
NASDAQ	(c)	139.771	124.234
Issues Traded	–	1,968	1,982
Rises	–	882	626
Falls	–	541	836
Unchanged	–	545	520
New Highs	–	48	43
New Lows	–	50	82

CANADA TORONTO

	Nov 23	Nov 22	Nov 21	Nov 20	1989 HIGH	1989 LOW
Metals & Minerals	3337.66	3351.46	3362.20	3385.63	3919.2 (1/9)	3307.5 (3/11)
Composite	3915.77	3920.55	3933.61	3947.53	4037.8 (6/10)	3350.5 (6/11)
MONTREAL Portfolio	1993.68	1993.68	1995.37	2008.88	2069.68 (10/10)	1677.48 (3/1)

Base values of all Indices are 100 except NYSE All Common – 50 Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 24	Nov. 23	Nov. 22	Nov. 21	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1615.9	1631.9	1637.7	1629.3	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	822.9	834.5	839.1	824.1	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	409.08	407.60	407.48	411.70	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6574.12	6578.57	6581.19	6548.56	6805.28 (26/9)	5619.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	359.26	358.99	357.22	358.69	359.26 (24/11)	275.49 (27/2)
FINLAND						
Unitas General (1975)	591.4	580.8	591.6	607.5	815.0 (18/4)	580.8 (23/11)
FRANCE						
CAC General (31/12/82)	519.6	517.8	514.1	515.4	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	119.4	118.4	117.9	117.4	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	655.20	648.36	(c)	641.49	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1932.8	1911.0	(c)	1888.7	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1555.51	1534.68	(c)	1514.09	1658.12 (11/9)	1271.70 (13/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2808.53	2800.79	2812.02	2817.19	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1678.81	1677.22	1677.69	1681.78	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	670.36	667.88	665.39	664.98	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	36484.47	(c)	36286.92	36059.87	36484.47 (24/11)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2759.60	(c)	2737.20	2717.65	2759.60 (24/11)	2366.91 (6/1)
2nd Section (4/1/68)	3708.07	(c)	3704.55	3692.41	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl. Rtn Gen (End 1983)	253.4	252.0	250.8	248.9	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	194.5	194.1	192.6	191.1	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	615.54	614.30	609.87	615.08	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1369.41	1375.55	(u)	1386.52	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind (30/12/66)	1385.27	1378.05	1361.67	1349.42	1431.65 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2146.0‡	2102.0	2113.0	2057.0	2146.0 (24/11)	1291.0 (15/2)
JSE Industrial (28/9/78)	2578.0‡	2578.0	2572.0	2564.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	907.44	890.65	889.15	884.17	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	301.13	300.14	299.16	297.98	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3875.4	3884.5	3870.6	3928.3	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	754.0	750.7	744.4	741.0	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	9878.61	10094.44	9995.28	10098.60	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	751.58	762.21	789.27	792.20	792.20 (21/11)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	534.1	533.0	530.4	551.2 (3/8)	487.6 (13/6)

**Saturday Nov 18: Taiwan Weighted Price: 10309.07, Korea Comp Ex. 900.83.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 256.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

هكذا اصل الأصل

WORLD STOCK MARKETS

AMERICA

Easing of monetary policy enlivens trading

Wall Street

THE CONFIRMATION of a further easing in US monetary policy sent stock prices sharply higher on Wall Street, and helped liven up the traditionally subdued trading between the Thanksgiving holiday and the weekend, *writes Anatole Kaletsky in New York.*

The Dow Jones Industrial Average opened 17 higher, extending its 17.49-point pre-holiday rally on Wednesday. After some light profit-taking, prices climbed again from mid-morning onwards, in response to the Federal Reserve's signals that it was satisfied with the new lower level of interest rates established on Wednesday.

By 2 pm the Dow was 20.91 up at 2,677.69. Although trading was light, with only 59m shares changing hands by 1 pm, activity was brisker than usual for the day after Thanksgiving. Another bullish sign, according to some technical analysts, was the ratio of more than two to one between advancing stocks and decliners.

The bond market was less sanguine about the Fed's easing move, with most Treasury issues showing almost no movement. The benchmark 30-year long bond was $\frac{1}{16}$ up at 102$\frac{3}{32}$, a price at which it yielded 7.87 per cent.

The Federal Reserve executed matched sales in the money market when the Fed Funds rate fell to 8$\frac{3}{8}$ per cent, but the key rate stabilised at 8½ per cent. This persuaded most analysts that 8½ per cent was the central bank's new target, implying a ¼-point reduction from the 8¾ per cent target that had prevailed for the past few weeks.

Some analysts attributed the sluggishness in the bond market to the dollar's newfound weakness, especially against the D-Mark. Short-term interest differentials now favoured European currencies and this could divert substantial international capital flows away from the US fixed-interest markets, they noted.

In the equity market, the buying extended to many blue chip issues, as well as gold mining stocks. The biggest blue-chip gainer was again Texas Instruments, which advanced $1¼ to $37¾ in heavy trading. Buyers have continued to pile into the stock after the revelation earlier this week that TI had won a significant patent suit in the Japanese courts.

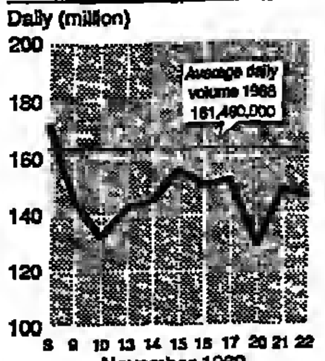
Other technology and industrial issues also did well, Unisys rising $⅛ to $15 and General Electric gaining $½ to $60⅛.

The gold sector has benefited strongly in the last month from the rise in the gold price and the fall of the dollar. It has received a further boost from the easing of US monetary policy and the implied possibility of higher growth and inflation. Homestake Mining was among the Big Board's most active issues, showing a gain of $⅞ to $19⅞. American Barrick, another gold miner, also advanced, by $⅞ to $32¼.

Primerica added $¼ to $28⅛ after announcing a deal to acquire a consumer-lending business from Barclays Bank for $1.35bn.

Texas Air gained $1 to $12⅞, after the news that the airline pilots at its Eastern Airlines subsidiary had abandoned their eight-month strike.

NYSE volume



Canada

GOLD ISSUES climbed higher by midsession in Toronto, on the back of the rising bullion price. Most other stocks also firmed, although trading was very quiet.

Gold shares had fallen recently after issues of shares and warrants by American Barrick and Lac Minerals.

Advances outpaced declines by 276 to 203, but the composite index fell 13.8 to 3,929.6 on volume of 13m shares.

Xerox Canada rose C$2⅝ to C$22 after approving a three-for-one share swap with Xerox Corp on Thursday.

EUROPE

Mixed week draws to close with a flourish

FINANCIAL stocks shone again during a confident close to the European week, helped by the easing in US interest rates and by more talk of alliances and takeovers, *writes Our Markets Staff.*

FRANKFURT had a lively Friday as turnover rose from DM4bn to DM5.3bn, reflecting the strength of the D-Mark and the continued recovery of the West German bond market. Financials had another good day with Deutsche Bank, Dresdner, Allianz and Commerzbank all featuring in the 10 most-active stocks list.

STARTING ON January 15, Frankfurt stock exchange trading hours will be extended from two to three per day. The market will be open from 10.30 am to 1.30 pm; at present, it does not open until 11.30 am.

Dealers in London said that the extension was needed to provide a continuous trading base for the new options and futures exchange, DTB. However, they observed it would not allow Frankfurt dealers to see what Wall Street did on Monday mornings, and so avoid the October 16 debacle.

The DAX index rose 20.83 to 1,555.1 for a two-day rise of 2.7 per cent; this was its highest level since the collapse of October 16 and left it 1.6 per cent higher on the week. The FAZ rose 6.92 to 655.28 for a week's rise of 1.3 per cent.

Deutsche Bank and Allianz were up DM15.50 and DM59 at DM696.50 and DM2,189 respectively. Siemens held its place at the top of the volume charts, up DM9 at DM609 in turnover of DM821m.

PARIS closed firmly after a shaky start, helped by the strength of West German shares, a rally on the domestic financial futures market and a solid opening on Wall Street.

The OMF 50 index closed 4.11 higher at 508.24, a rise of 1 per cent this week, and the CAC 40 index was up 14.58 at 1,858.09.

The spotlight remained on special situations. Suez gained FFr10.20 to FFr405 on news it was talking to Baltica Holding, the Danish insurance group, about co-operation involving Groupe Victoire, the insurance company that Suez acquired in the summer.

Paribas, the other leading investment banking group, gained FFr15 to FFr610. It now has 21 per cent of its bid target, Navigation Mixte, but there are doubts about whether it will win sufficient acceptances to succeed. Its offer closes on Wednesday evening.

Mr Marc Fournier, chairman of Mixte, said in a newspaper interview that he did not plan a counter-bid for Paribas, but suggested that the bank was already under threat. Mixte eased FFr1 to FFr1,851.

Chargeurs, the transport group, climbed FFr53 to FFr1,180 after 37 per cent higher nine-month sales. There was fresh speculative interest in Euromarché, the retailer, up FFr277, or 6.6 per cent, at FFr4,448.

ZURICH saw buying interest in the banking, insurance and consumer sectors as the Crédit Suisse index rose 6.1 to 616.9, 2.2 per cent higher on the week. A weaker dollar, slightly lower interest rates and gains in Tokyo were advanced as reasons for the rise.

AMSTERDAM ended the week in more sanguine mood. The strong results from insurance companies NatNed and Amev continued to support the market; Aegon, which reports next Wednesday, gained a further Fl 1.40 to Fl 109.70 for a two-day rise of 4 per cent, and banks were also strong.

The CBS tendency index closed higher for a second day, adding 1.1 points to 181.5, a week's rise of 1 per cent.

MILAN finished higher in moderate trading, the Comit index rising 2.48 to 670.36 for a 2.2 per cent rise on the week. Tough talk from Montedison, on its tax position and on the terms under which Enimont was spun off, brought speculation in the latter, which added L47 to close at L1,405, then moved up to L1,470 after hours.

MADRID held above the 300 level with a gain of 0.99 to 301.13, up 1.6 per cent since the previous Friday.

COPENHAGEN again relied on individual stocks for its excitement, with the bourse index edging up 0.27 to 359.26.

Baltica Holding and Baltica Insurance were suspended for alliance talks with Suez and Victoire of France. In the same sector, profit-taking pulled Hafnia DKr6 lower to DKr585 in active trading.

Food group Superfos was also busy, gaining DKr80 to DKr5,950 on speculation about a restructuring.

STOCKHOLM remained nervous about interest rates and the economy, closing mixed in low turnover. The Affärsvärlden General index eased 2.4 to 1,128.9, a fall over the week of 2 per cent.

Astra free B shares gained SKr2 to SKr307 in the day's most active trading on news that Losec, its anti-ulcer drug, will be introduced in France.

BRUSSELS was also mixed in thin trading, with a few exceptions. The cash market index was off 4.45 at 6,574.12 – a week's gain of 1 per cent.

Bekaert, the family-owned steel cord maker, surged 8.6 per cent on takeover speculation, adding BFr1,325 to BFr16,450 on active turnover of 12,170 shares.

HELSINKI regained some ground after sharp falls this week. The Unitas all-share index rose 10.6, or 1.8 per cent, to 591.4, leaving it 6 per cent down on the week.

SOUTH AFRICA

LIGHT profit-taking trimmed gains by Johannesburg gold shares, but the JSE Gold index still closed 44 points up at a preliminary 2,146 – a rise of 8.9 per cent over the week.

Japan approaches end of a hard year with satisfaction

Ian Rodger explains why opportunism is in vogue

THE NEW year rally has begun, said a Tokyo fund manager yesterday, with a mixture of relief and satisfaction.

The relief was that this year, which has been a difficult one in which to read Japanese stock markets, has not worked out as badly as it might have. The satisfaction reflected the prospect of entering a period when the course of the market might be more predictable.

Japanese stock markets almost always put on a rally at the end of one year and the beginning of the next. "The market has risen between November and March every year for the past 15 years," another Tokyo analyst said.

That is an interesting statistic, but perhaps not as helpful as it sounds. Tokyo is a fast-moving scene. In some years, it would have been quite possible to lose a bundle between November and January and, if you did not have the stomach to stick it out to March, not to have benefited from the overall bull market.

Various reasons are given for this tradition of year-end/new year bull markets. For one thing, the Japanese like to end a year and start a new one on a note of success. For another, especially this year, savings accounts are boosted by vast year-end bonuses – in some cases equivalent to over five months' pay. The big brokers, whose influence in the market is rarely underestimated, also like things to be buoyant as they approach their March year-ends.

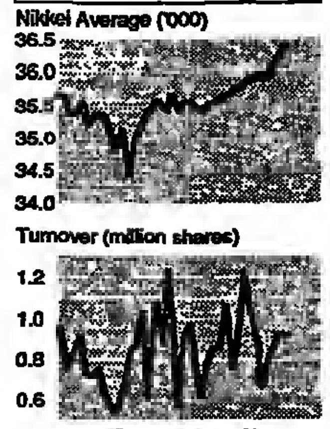
Thus, the word in the market is that the Nikkei average of 225 leading shares should reach 38,000 by the end of December. That is not too outrageous a target, as one analyst said, given that it closed yesterday at 36,484.47.

The market has performed well in recent weeks, with the Nikkei rising steadily from the 34,500 level just after the New York crash on October 13 through the previous 35,000 peak reached in August to its current all-time high. This progress was achieved in spite of a heavy load of new issues and a background of rising interest rates and uncertain political trends. The Tokyo Stock Price Index (Topix) of all TSE first section shares has also done well, rising into record territory above 2,700 in the past few days.

Analysts can adduce few reasons for such strength. "In the short term, there appears to be little more than cash and positive sentiment to support the market," one wrote last week.

The enthusiasm for the domestic economic boom that propelled the market two years ago appears to have played itself out. The latest round of corporate financial results for the half year to September has seen that theme substantially fulfilled. Companies have been reporting strong profit growth and making upward revisions of earnings estimates for the full year.

Tokyo



The Wako Research Institute of Economics, which analysed the results of 312 leading quoted companies, found that their average pre-tax profits were up 20 per cent from the same period last year and their average pre-tax margin reached 5.8 per cent, the highest since 1973.

But the stock market has remained largely unmoved, indicating that these results had been widely expected. Analysts say investors expect the economic background to stay favourable for most of next year, but are beginning to ask questions about the year after.

Lacking a guiding theme, the market has taken on an opportunistic tone, with investors jumping in and out of stocks that seem to be in favour on any given day. In the past few weeks, the perestroika theme has been one of the most popular. The idea is that Eastern European markets will open to trade and Japanese trading companies will benefit.

Marubeni, the trading company with the best contacts in Eastern Europe, has been a top performer, rising from Y840 on October 20 to Y986 yesterday.

Another popular theme has been mergers and acquisitions, with a rush to find stocks that might be involved in such deals. Yasuda Fire and Marine shares have been bought because of rumours of a big restructuring in the casualty insurance sector. They have climbed from Y1,470 on October 20 to Y1,860 yesterday.

In this speculative environment, volume has recovered only gradually from the weak summer doldrums, when it was a good day if more than 500,000 shares changed hands.

These days, daily volume is more likely to be 900,000 to 1m, but that is still a far cry from February, at the peak of the last new year bull market, when volumes were averaging more than 1.5m shares a day. Investment trusts, securities houses and foreigners have been net sellers in recent weeks, leaving banks as the only enthusiastic buyers.

There are reasons to hope that the uncertain tone of recent weeks is lifting. The political background seems to be stabilising, with little prospect of a general election before late January. And it now looks as if the ruling Liberal Democratic Party will be able to hold on to its majority in that election.

On the economic front, the easing of US interest rates and some good figures last week on Japanese wholesale price trends have reduced fears that the Bank of Japan will continue to push interest rates up. One analyst also pointed out that share futures prices have just moved ahead of actual prices for the first time in a couple of weeks.

It all seems to point to a happy end to 1989.

ASIA PACIFIC

Optimism helps Nikkei scale another peak

Tokyo

CHEERED BY further signs of an improving outlook, investors returned enthusiastically from a day's holiday to continue selective buying and lift the Nikkei average to a third consecutive record, *writes Michiyo Nakamoto in Tokyo.*

The market resumed its upward climb in early trading, with the Nikkei average advancing to an intraday high of 36,486.43. It slipped to a low of 36,304.75 before closing just off its high at 36,484.47, up 197.55 points on the day and 1.4 per cent on the week.

Advances outnumbered declines by 577 to 345, with 203 issues unchanged. Turnover edged down from the 922m shares traded on Wednesday to 918m. The Topix index of all listed shares posted a strong rise of 22.40 to a record 2,759.60, while in London the ISE/Nikkei 50 index added 2.96 to 2,086.35.

Gold was a favourite because of rising bullion prices. Sumitomo Metal Mining, the leading Japanese company mining gold, topped the actives list with 34.8m shares traded and rose Y140 to Y2,230.

Aoki, the construction company, also attracted attention because of its gold business via a subsidiary in Brazil. It took third place on the actives list with 25.3m shares and rose Y60, or 3.6 per cent, to Y1,710. It is also considered a political stock, being pushed up before election time to help politicians in need of funds. National elections to the Lower House of the Diet (parliament) could be as soon as January.

With the start of court hearings on the Recruit share sale scandal, which led to heavy criticism of the means by which they raise funds, politicians "are probably going to have to rely much more on the stock market for funds this year," said one foreign broker.

Prospects of lower interest rates made financials look cheap and Nomura Securities posted a Y120 gain to Y3,510. Large-capital steels also benefited, with Sumitomo Metal Industries second in volume and rising Y20 to Y790.

Interest-rate sensitive, large-capital stocks rose in Osaka, lifting the OSE average 188.13 to a record 37,640.36. Volume climbed to 101m shares from the 85m traded on Wednesday.

Roundup

SETBACKS IN Australia, New Zealand and Taiwan contrasted with buoyancy in Singapore and equanimity in Hong Kong.

AUSTRALIA took a sharp fall as nervousness grew about the strength of the local dollar, the steep rise in the gold price, and the economic outlook after news that October suffered the second worst monthly current account deficit on record.

The All Ordinaries index fell 16 to 1,615.9, its biggest single-day loss for more than a month. That left it 1.1 per cent lower on the week in turnover of 128m shares worth A$216m.

Bond Corp lost 1 cent to 30 cents. Metals Exploration and Mid-East Minerals, two companies controlled by the Bond family company, said they had revised their results down sharply after marking down the value of convertible notes issued by Bond Corp Securities by 40 per cent.

NEW ZEALAND saw falls in both the share and share futures markets, with the Barclays index down 14.56 at 2,073.04.

SINGAPORE institutions kept buying blue chips, encouraged by Japan's strong performance. The Straits Times industrial index rose 7.22 to 1,385.27, a gain of 3.5 per cent from the previous Friday, and turnover reached 75.8m shares from Thursday's 66.3m.

HONG KONG drifted higher in moderate volume worth HK$862m, up from HK$678m, and the Hang Seng index added 7.74 to 2,808.53, barely changed on the week.

The index had recovered from early losses following a downward revision of economic growth for this year.

TAIWAN fell heavily as confidence took a further knock, the weighted index dropping well below 10,000 to 9,878.61, down 215.38 on the day and 4.3 per cent on the week.

SEOUL regained the 900 level on the composite index, rebounding 16.79 to 907.44.

MANILA lost ground as investors focused on the gold price and the mining sector. The composite index was off 10.97 at 1,375.55.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY NOVEMBER 23 1989						WEDNESDAY NOVEMBER 22 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	146.45	+0.2	139.00	124.53	−0.5	5.39	146.15	138.46	125.16	180.41	128.28	148.53
Austria (19)	144.31	−0.1	136.97	136.24	+0.0	1.79	144.46	136.86	136.17	172.22	92.84	99.45
Belgium (63)	145.51	−0.3	138.11	137.07	−0.1	4.04	145.90	138.22	137.27	145.90	125.58	135.35
Canada (122)	148.40	+0.1	140.86	125.56	−0.1	3.23	148.29	140.48	125.63	154.17	124.67	119.88
Denmark (36)	228.63	+0.2	217.01	219.30	+0.3	1.44	228.07	218.06	218.61	228.63	165.35	153.98
Finland (26)	118.63	+0.0	112.60	105.70	+0.0	2.67	118.67	112.42	105.70	159.16	118.63	132.66
France (126)	135.21	+0.2	128.33	131.23	+0.5	2.83	134.95	127.84	130.61	139.94	112.57	112.05
West Germany (96)	100.36	+0.8	95.26	94.75	+0.9	2.20	99.77	94.52	93.88	103.84	79.56	88.10
Hong Kong (48)	118.52	−0.4	112.50	118.66	−0.4	4.79	119.02	112.76	119.40	140.33	86.41	109.55
Ireland (17)	159.46	−0.7	151.35	154.74	−0.6	2.86	160.59	152.13	155.62	166.69	125.00	134.70
Italy (97)	91.14	+0.2	86.51	91.01	+0.5	2.51	90.92	86.14	90.58	96.73	74.97	86.46
Japan (455)	187.51	−0.4	177.98	170.96	+0.0	0.47	188.29	178.38	170.96	200.11	164.22	190.75
Malaysia (36)	200.97	+1.0	190.75	209.52	+1.0	2.53	198.98	188.50	207.41	209.22	143.35	142.62
Mexico (13)	287.89	−0.1	273.26	832.56	−0.1	0.62	288.13	272.95	833.28	326.61	153.32	176.62
Netherland (43)	128.10	+0.4	121.59	119.79	+0.8	4.44	127.59	120.87	118.89	131.72	110.63	110.42
New Zealand (18)	75.42	+1.4	71.59	68.16	+0.8	5.24	74.41	70.49	67.62	88.16	62.84	71.83
Norway (24)	172.88	+1.6	164.09	161.44	+1.7	1.64	170.06	161.13	158.77	198.39	139.92	125.06
Singapore (26)	161.68	+0.6	153.47	145.96	+0.5	2.05	160.79	152.32	145.23	170.62	124.57	121.25
South Africa (60)	171.04	+0.5	162.35	148.66	−0.5	3.84	170.15	161.19	149.37	171.04	115.35	121.51
Spain (43)	154.87	−0.4	146.99	136.45	−0.3	3.83	155.48	147.29	136.81	189.75	143.14	153.29
Sweden (35)	161.95	+0.6	153.72	154.04	+0.5	2.22	161.01	152.54	153.33	188.94	138.45	137.05
Switzerland (64)	88.22	+0.8	83.74	88.39	+1.1	2.14	87.53	82.92	87.39	94.16	67.61	80.28
United Kingdom (305)	141.48	+0.9	134.29	134.29	+1.1	4.58	140.19	132.81	132.81	158.41	133.28	141.02
USA (546)	138.83	+0.0	131.78	138.83	+0.0	3.35	138.83	131.52	138.83	146.29	112.13	109.70
Europe (994)	125.66	+0.6	119.27	119.21	+0.8	3.53	124.97	118.39	118.27	132.95	112.63	118.61
Nordic (121)	166.25	+0.5	157.80	152.12	+0.5	1.87	165.42	156.71	151.37	178.38	137.95	131.41
Pacific Basin (668)	183.22	−0.4	173.91	167.03	+0.0	0.72	183.93	174.24	167.06	194.72	160.44	185.75
Euro-Pacific (1662)	160.26	−0.1	152.13	147.90	+0.2	1.62	160.42	151.97	147.55	166.98	141.56	158.08
North America (668)	139.30	+0.0	132.22	138.00	+0.0	3.34	139.30	131.98	138.00	146.66	112.79	110.23
Europe Ex. UK (689)	114.93	+0.3	109.08	109.91	+0.6	2.61	114.57	108.53	109.29	118.51	96.30	101.29
Pacific Ex. Japan (213)	131.73	+0.1	125.03	116.09	−0.3	4.65	131.54	124.62	118.43	140.05	111.93	125.98
World Ex. US (1857)	160.05	−0.1	151.91	147.39	+0.2	1.69	160.17	151.74	147.06	166.35	141.49	156.39
World Ex. UK (2098)	152.42	−0.1	144.67	145.47	+0.1	2.00	152.63	144.59	145.36	156.04	136.98	138.28
World Ex. So. Af. (2343)	151.30	−0.1	143.61	144.38	+0.2	2.21	151.38	143.41	144.18	155.92	136.67	138.61
World Ex. Japan (1948)	134.32	+0.2	127.49	130.76	+0.3	3.47	134.04	126.98	130.42	140.43	114.51	113.35
The World Index (2403)	151.42	−0.1	143.72	144.40	+0.2	2.22	151.50	143.52	144.19	155.89	136.68	138.50

Latest prices were unavailable for this edition. Markets closed November 23: Japan and USA. Constituent changes 24/11/89: The restricted shares of Aker, Kreditkassen, Kvaerner, Nora Industrier and Orkla Borregard (all Norway) have been replaced by Free shares.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ◆ Bargains done the previous day.

British Funds, etc
No. of bargains included 1540

Treasury 9% Ln 2008 "B" - £32¼◆

Corporation and County Stocks
No. of bargains included 5

Greater London Council 8¾% Stk 90/92 - £95½ 6
Aberdeen (City of) 10.80% Red Stk 2011 - £95½◆ ¾◆
Birmingham Corp 3% Stk 1947(or after) - £29 (17No89)
Birmingham District Council 11½% Red Stk 2012 - £100 (22No89)
Sunderland(Borough of) 11½% Red Stk 2006 - £102¾◆ 3◆

UK Public Boards
No. of bargains included 1

Agricultural Mortgage Corp PLC 9½% Deb Stk 92/94 - £92 (20No89)
7½% Deb Stk 91/93 - £86 (21No89)
10½% Deb Stk 92/95 - £92 (22No89)
Scottish Agric Sec Corp 10½% Deb Stk 89/91 - £93 (20No89)

Foreign Stocks, Bonds, etc-(coupons payable in London)
No. of bargains included 10

Abbey National Building Society 6½% Bds 1993 - $99½ (17No89)
10½% Bds 1998 (Br£5000&50000) - £92½◆
9½% Nts 1993 - $101.55 (17No89)
Amsterdam-Rotterdam Bank NV 12½% Nts 1989 due 1992 - £103.409124
Anglo Group PLC 9½% Cnv Bds 1999 (Reg) - £130 (22No89)
Argyll Group PLC 4½% Cnv Bds 2002 - £97½ (22No89)
Barclays Bank PLC 10¼% Senior Subord Bds 1997 - £91◆
9½% Gtd Nts 1993 - £90½ (17No89)
British Telecom Finance BV 7½% Gtd Bds 1996(Br$5000&50000) - $94½ (22No89)
Council of Europe Resettlement Fund 11½% Bds 1992 - £95½ (20No89)
DRG PLC 6½% Subord Cnv Bds 2002 - £119 (22No89)
Dixons Group (Capital) PLC 6¾% Cnv Gtd Bds 2002 (Br£5000&50000) - £59½ 50 (20No89)
Export-Import Bank of Japan 9¼% Gtd Bds 1999 - $105.33 .355 .4 (21No89)
Finland(Republic of) 10¼% Bds 2008 - £92½ (17No89)
General Motors Accept Corp Canada Flg Rate Nts Nov 1996 (Br$C100000) - £100
Grand Metropolitan PLC 9¾% Subord Cnv Bds 2002 (Br£5000) - £90½ ½ (21No89)
Halifax Building Society 9½% Nts 1993 - $102 (20No89)
10¾% Nts 1997 - £90½ 1 (20No89)
Flg Rate Ln Nts 1992(Br£5000) - £99.96 (21No89)
Hanson Trust PLC 10% Bds 2006 (Br£5000) - £92½ (20No89)
Imperial Chemical Industries PLC 10% Bds 2003 - £96½ (17No89)
International Bank for Rec & Dev 9¼% Bds 2007 (Br£5000) - £87◆
10½% Nts 1994 - £95½ 8 (21No89)
Ladbroke Group PLC 5¾% Subord Cnv Bds 2004(Br£1000&5000) - £100½
Land Securities PLC 6¾% Cnv Bds 2002 - £84½
9½% Cnv Bds 2004 (Br£5000&50000) - £89½ 90½ (20No89)
London International Group PLC 4½% Cnv Bds 2002 - £96 ½ (20No89)
National Mutual Group Finance Ltd 10% Nts 1993 - £90¼ ½ (21No89)
National Westminster Bank PLC 12% Nts 1992 - £99.3◆ ½◆
New South Wales Treasury Corp 11.5% GtdExchBds 1999 (Br$A10000&100000) - $A96.995
Next PLC 6¾% Cnv Bds 2002 - £105½ (17No89)

[illegible]

Trinidad & Tobago(Republic of) 12¾% Ln Stk 2009(Reg) - £95 (21No89)
12¾% Ln Stk 2009(Br) - £97 (17No89)

Banks and Discount Companies
No. of bargains included 4120

Ansbacher(Henry)Hldgs PLC 8% Cnv Subord Ln Stk 1998 - £70 (22No89)
Bank of Ireland(Governor & Co of) 7% Ln Stk 86/91 - I£92½
Barclays PLC ADR (4:1) - $32.605 (20No89)
Barclays Bank PLC 7¾% Uns Cap Ln Stk 86/91 - £83½ (21No89)
8¼% Uns Cap Ln Stk 88/93 - £86 ¼
12% Uns Cap Ln Stk 2010 - £101½ ¾
16% Uns Cap Ln Stk 2002/07 - £124½
Lombard North Central PLC 5% Cum 2nd Prf £1 - 48 52 (20No89)
Midland Bank PLC 7½% Subord Uns Ln Stk 83/93 - £85½
10¼% Subord Uns Ln Stk 93/98 - £94 5
Mitsubishi Trust & Banking Corp Com Stk Y50 - Y2051.12 5.09 61.09 (22No89)
Mitsui Trust & Banking Company Ld Shs of Com Stk Y50 - Y2019.91 23.91 33.88 43.25 (22No89)
National Westminster Bank PLC 7% Cum Prf £1 - 69◆
9% Subord Uns Ln Stk 1993 - £88
12½% Subord Uns Ln Stk 2004 - £103½ (22No89)
Royal Bank of Scotland Group PLC Warrants to sub for Ord - 83 (20No89)
Schroders PLC 9¼% Uns Ln Stk 97/2002 - £78½ (17No89)
Standard Chartered PLC 12¾% Subord Uns Ln Stk 2002/07 - £98½ ¾ ¾
TSB Group PLC 10¾% Subord Ln Stk 2008 - £91
Toyo Trust & Banking Co Ld Shs of Cum Stk Y50 - Y2172.588 (22No89)
Warburg (S.G.) Group PLC Cnv Dfd 25p - 205◆
7½% Cum Prf £1 - 91◆

Breweries and Distilleries
No. of bargains included 475

Allied-Lyons PLC ADR (1:1) - $7½
5½% Cum Prf £1 - 53 (20No89)
7½% Cum Prf £1 - 69
3½% Red Deb Stk 87/97 - £65◆
6½% Red Deb Stk 87/92 - £83½
6¾% Red Deb Stk 88/93 - £81 (20No89)
7½% Red Deb Stk 88/93 - £84½ (21No89)
New 9¾% Deb Stk 2019 - £86½ ¾ ¾
11½% Deb Stk 2009 - £103½ (21No89)
5½% Uns Ln Stk - £53½ (21No89)
7½% Uns Ln Stk 93/98 - £78½◆
Bass PLC 4% Cum Prf £1 - 40 (20No89)
7% Cum Prf £1 - 68 (22No89)
3½% Deb Stk 87/92 - £81½◆
9¼% Deb Stk 87/92 - £88 ½
10¼% Deb Stk 2016 - £93½ ¾ ¾
7½% Uns Ln Stk 92/97 - £80½
Bass Investments PLC 7¾% Uns Ln Stk 92/97 - £78 (21No89)
Boddington Group PLC 9¾% Cnv Uns Ln Stk 2000/05 - £163◆
Bulmer(H.P.)Hldgs PLC 8¾% 2nd Cum Prf £1 - 90
Greenall Whitley PLC "A" Ord 5p - 225
8% Cum Prf £1 - 94
10% Deb Stk 2014 - £88½ ¾ ¾
8½% Irrd Uns Ln Stk - £70
Guinness PLC ADR (5:1) - $46½ ¾ (22No89)
Handys & Hansons PLC Ord 25p - 945 (21No89)
International Distillers & Vintners Ld 4½% Deb Stk 2002/07 - £49 (17No89)
Mansfield Brewery PLC Ord £1 - 463
Scottish & Newcastle Breweries PLC 4.9% Cum Prf £1 - 70 (20No89)
6.425% Cum Prf £1 - 93 (20No89)
7% Cnv Cum Prf £1 - 154 (22No89)
7.1% 1st Mtg Deb Stk 85/90 - £96½ (20No89)
Vaux Group PLC 7% Cum Prf £1 - 71

[illegible]

Southern Newspapers PLC Ord £1 - £3.38‡ (21No89)
Sun Oil Britain Ld Oil Royalty Stk Units 1p - £0.43 (21No89)
Texas Continental Securities PLC Ord I£0.20 - I£1 (21No89)
Western Dooars Tea Hldgs PLC Ord £1 - 800 (17No89)

RULE 535 (4) (e)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Ampol Expln. 98◆ (21/11)
Aust. Hydrocarbons A$0.095 (22/11)
Boral 1.7
Cape Range Oil 5.43 A$0.109 (22/11)
City Developments S$3.64
Cons. Exploration A$0.081 (22/11)
Coltus Res. A$0.218
Diversified Mineral Res. A$0.251 (21/11)
Equity Silver Mines 2.4
Grants Patch Mining A$0.7563 (20/11)
Haoma North West A$0.04303 (21/11)
Harland (John H) Co £14.375 (17/11)
Haw Par Bros Int (Singapore Reg) 81
Highveld Steel & Vanadium $4.03 R15.65,16.35 (22/11)
Invincible Gold NL Ord 3.5◆ (17/11)
Kalgoorlie Resources A$0.024 (20/11)
Malaysian Airline System M$11
Malaysian Plantations 20◆20 (21/11)
Meridian Oil 3 (21/11)
Mount Martin Gold Mines 26
National Electronics (Consolidated) 1.5 (21/11)
Niugini Mining A$3.21 (22/11)
Nixdorf Computers DM318.6 (20/11)
Noranda C$0.72◆
North Flinders Mines 1.38◆ A$2.75
Oil Co of Australia A$0.408 (21/11)
Oil Search 25,31,34 A$0.64931 (22/11)
Overseas Chinese Banking Corp S$10.67 (21/11)
Palabora Mining $14.95◆15.072 R61.3 (21/11)
Patrick Petroleum $5.125◆ (17/11)
Poseidon 1.34 A$2.661◆ 1.26,1.31
Regent Mining A$0.061 (21/11)
Southwest Gold mines A$0.061
Strategic Minerals Corp A$0.538 (22/11)
Terrex Res. A$0.029,0.03375 (21/11)
United Overseas Land S$1.98774 (20/11)
Valiant Consolidated A$0.061 (20/11)
Westfield Minerals C$1.15◆ (21/11)
Windsor Res. A$0.138 (22/11)
Winsor Industrial HK$8.11001,8.28004 (17/11)

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LONDON STOCK EXCHANGE

Weak sterling holds back equities

A NERVOUS trading week on the London equity market ground to a close last night with the continued uneasiness in sterling effectively stemming any recovery in confidence in the outlook for share prices. The withdrawal from equity market making in London by Laing & Cruickshank, the subsidiary of Credit Lyonnais, nnderscored the deep-rooted concern over profitability at London-based securities firms. Gloom deepened in lale dealings when the opening of tbs new equity trading account hrought little sign of buying orders.

The pace for the day was set by the foreign exchange market where the pound's weakness against the strong German mark quickly stemmed an initial uptick in share prices. For most of the session the Footsie Index moved around its overnight levels, edging very slightly better in late dealings as traders speculated on hints of a takeover move against Morgan Grenfell, the UK merchant bank.

Account Dealing Dates			
First Dealings:	Nov 13	Nov 27	Dec 11
Option Declarations:	Nov 23	Dec 7	Dec 21
Last Dealings:	Nov 24	Dec 8	Dec 22
Account Day:	Dec 4	Dec 10	Jan 8

*New time dealings may take place from 9.00 am two business days earlier

The final reading showed the FT-SE Index with a net gain of 1.9 at 2,224.4. The Index has managed to add a mere 5.7 points over the two-week trading account which was unsettled by the market's reaction to the Autumn Statement on the UK economy from Mr John Major, the Chancellor of the Exchequer, and then by the latest statistics on the domestic economy. The Index shaded lower by one point last week, with the market uncertain as it braced itself for Thursday's announcement of a slight narrowing in the UK trade deficit.

The London equity sector is aware that the most significant response to the UK trade figures will come from the foreign exchange markets and, with New York still at half-throttle yesterday, equity traders are resigned to waiting until Monday morning for a full view of sterling's prospects.

Weakness in the ponnd could prompt selling of UK equities by some foreign holders for whom currency considerations rank higher than other factors. Domestic funds have shown little inclination to sell stock, and this has sustained share prices during the present period of uncertainty.

UK funds are believed to be potential buyers of equities if the Footoie drifts down towards the 2,100 mark: indeed, last week saw cautious bargain-hunting by he pension funds which were willing to take lines of stock below market prices. The significance of the FT-SE 2,100 mark, according to analysts, is that it would put the market on a dividend yield of about 5 per cent, a return rarely seen.

"Views on the prospects for the stock market are the opposite of those for the economy," commented one senior analyst this week, indicating that investors may be more confident over prospects for equities than for the domestic economy overall.

FINANCIAL TIMES STOCK INDICES

	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.10	83.70	83.56	83.50	83.50	87.48	89.29 (8/2)	83.50 (20/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.80	92.71	93.17	93.13	93.29	96.97	99.59 (15/3)	92.71 (23/11)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1754.9	1754.1	1734.4	1731.9	1734.1	1462.0	2008.0 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	296.7	291.4	290.5	282.8	274.1	175.7	296.7 (24/11)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2222.4	2220.5	2192.3	2185.1	2183.1	1794.7	2426.0 (5/9)	1782.0 (3/1)	2443.4 (19/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.65	4.77	4.81	4.82	4.82	4.87				
Earning Yld %(full)	11.68	11.44	11.54	11.56	11.54	12.20				
P/E Ratio(Net)(*)	10.36	10.56	10.48	10.46	10.46	9.93				
SEAQ Bargains(5pm)	29,956	24,474	20,977	21,524	24,493	32,373				
Equity Turnover(£m)†	-	539.48	690.03	739.24	664.19	1176.41				
Equity Bargains†	-	19,428	20,928	23,394	23,318	27,421				
Shares Traded (ml)†	-	412.4	252.5	308.0	319.8	496.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55 Basis 1000 FT-SE 100 31/12/83. ✩ Nil 10.26

Ordinary Share Index, Hourly changes Day's High 1758.0 Day's Low 1748.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1755.3	1750.1	1754.8	1753.4	1751.9	1750.8	1750.3	1751.7

FT-SE, Hourly changes Day's High 2224.6 Day's Low 2215.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2224.1	2216.9	2222.4	2220.4	2219.0	2217.4	2216.9	2217.9

GILT EDGED ACTIVITY

Indices*	Nov 23	Nov 22
Gilt Edged Bargains	83.2	74.3
5-Day average	80.9	80.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0898 123001.

Renewed alert at Morgan

Morgan Grenfell, the merchant bank, raced higher in keen trading as the market picked up the scent of impending news regarding a possible "white knight" bid for the company. After an uneasy opening, when the shares momentarily slipped to 459p, Morgan moved up strongly to end the session a net 16 higher at 476p.

Favourite to bid for Morgan is Deutsche Bank which already has a 4.9 per cent stake in the bank, although other possible bidders mentioned by dealers included Lloyds, Credit Suisse and one of the Japanese banks.

Morgan has been seeking a white knight since Willis Faber, the insurance broker, revealed on October 26 it had conditionally agreed to sell its 20.4 per cent stake in Morgan to Banqne Indosuez. Suez is the banking arm of Compagnie Financière de Suez of France.

Suez has already bought a 10.6 per cent stake from Willis and has the right to buy Willis' remaining 9.8 per cent for 462p. Willis holders vote on Wednesday to approve the sale of its remaining Morgan shares. After the Willis deal, Morgan held talks, ultimately unsuccessful, witb BZW before embarking on the search for other possible buyers. Dealers said that any bid for Morgan would have to be above 462p. It would probably be around the 500p level at whicb Morgan was floated in 1986.

Standard active

The best performance among the big banks came from Standard Chartered which extended its recent firm showing, the shares closing another 18 higher at 553p. Turnover in Standard shares was 4.4m shares, well ahead of usual turnover levels in the stock.

Specialists said there were three reasons for the latest rise in the price. Firstly, there were stories in the market that the bank could attract the attentions of a predator, with Lloyds mentioned as a possible bidder. Secondly, there were persistent suggestions that the UK and Far Eastern headquarters of the bank were about to realise good pricee. Tbe third, and most obvious reason according to dealers, was that there had been and still is an acute stock shortage in the market, with one firm said to bave been closing a short position in the otock.

One analyst said the bid stories, "which pop up from time to time are unfounded," and that Standard ehares "have reached the levels at which profits should be taken."

The Morgan Grenfell stories were not fully appreciated by the rest of the merchant bank stocks which were barely changed. As one analyst put it "If Morgan Grenfell goes then the rest of the sector will certainly perform."

He said Hambros would be every analyst'e favourite as the next in the firing line; "Out of only a limited nnmber of stocks Hambros is the obvious candidate, followed by Kleinwort Benson." He regarded SG Warburg as relatively safe – "I think there would be political repercussions there," and said Schroders was protected by a near 40 per cent family holding. Hambros shares held at 220p with a recent large line of stock, thought to have been in the region of 2m shares, in the bank said to have been placed in the market yesterday. Kleinwort Benson edged np a penny to 359p.

An incorrect news agency message, pntting a $1.35bn price tag Barclays' US consumer lending bneinesses which were sold to Primerica saw Barclays shares momentarily advance to 536p. But the realisation that the sale price was really $135m brought Barclays shares back sharply to a closing level of 525p, only fractionally up on the day; "A reasonable deal for Barclays," said Mr Robert Law of Shearson Lehman Hutton.

Insurances attracted brisk business. In lifes Refuge were boosted by persistent buying and closed 9 up at 677p with dealers taking the view that Athena, the French insurance group, may have been back in the market adding to its stake. "But turnover this account has only been some 586,000 shares, not really enough to up the stake by very much," said one specialist. He said it was possible that UK insurance groups may have been huying Refuge stock in an attempt to head off any further French buying.

Insurance brokers were featured by Willis Faber which added 11 at 269p on turnover of 1.8m with Hoare Govett said to have been a strong supporter of the shares.

The etake-building stories that have surrounded Burmah in recent months emerged again with the shares moving up strongly to close a net 12 higher at 675p. Turnover came out at only 506,000 causing analysts and dealers to doubt that any further stake-building had been carried out. SHV, the privately-owned Dutch holding company, has a stake 9.14 per cent in Burmah and only last week said it regarded the stake as "friendly." Dealers insisted, however, that much of the buying carried out yesterday had been done hy the same US owned firm that was seen to have accumulated much of SHV's holding. And there were stories that a Dutch pension fund had been bidding for large large of stock.

The exploration and production stocks were firm in a shortage of stock. Hardy Oil & Gas, boosted by a recent buy note issued by BZW and talk of a Kleinwort recommendation added 8 at 166p. Shell moved up 2 to 437p after being labelled a bny by Goldman Sachs.

Cadbury Schweppes gave up some of its mid-week gains on profit-taking, closing 3 lower at 335p. Fitch Lovell was boosted by modest buying and rose 2 to 212p. Unilever continued to advance as sterling weakened against the Deutschemark. It finished 10 higher at 669p.

Asda remained weak as worries about its current trading outlook persisted. Its share price remained below 130p, which had previously been considered as a solid support level. Asda finished 3 lower at 127p. Tesco was also on the defensive, as light selling pushed it a penny lower to 186p.

BZW is worried that biscuit sales have not recovered as quickly as had been expected from the slacker sales of the hot summer period. In addition, they said customers had switched to purchasing cheaper frozen food items. Mr Carl Short of Kitcat & Aitken said: "It's chicken kiev rather than duck à la orange." Other analysts also lowered their estimates. County NetWest now forecast £187m compared with £192m; Kitcat also expects £187m against £193m.

Dealers also said press reports that a US subsidiary of UB had joined the "salty snack war" depressed its price. Talk that UB is set to announce a deal with a European food mannfacturer remained in the market hut failed to prevent UB closing 11 lower at 350p.

News that Queen's Most Houses had secured a multi-currency revolving credit loan facility for about £226m – it can be drawn in several currencies – reminded the market that the company had a 9.15 per cent stake in brewer Vaux.

Bass climbed 13 to 988p ahead of final results on November 29 while Grand Metropolitan closed 10 better at 537p with figures next month.

Boots received what one dealer decrlbed as "a fairly kind prese" following Thursday's uncertainty over progress or otherwise made by recent acquisition Ward White. Boots climbed 5½ to 259p. One dealer also mentioned vague talk that Hanson had included Boots on its list of possible acquisitions. Burton firmed 9 to 189p.

Ratners climbed 8 to 269p after a lunchtime presentation at SG Warburg, while Etam were bought ahead of going xd on Monday, leaving the shares 9 better at 182p. Great Universal Stores continued to benefit from brokers' recommendations on Thursday and GUS "A" shares firmed 9 to 1053p.

Thursday's profits warning from Capital Radio took the shares another 70 lower to 903p.

The recent rise in USM-quoted Citivision, which has 500 video outlets, ended with the shares holding steady at 139p. The company said on Wednesday it had applied for a full listing.

Western Motor reversed its downward trend with a large buyer said to have boosted the stock 23 to 508p. The shares had been falling for most of the week, as a US arbitrageur was reported to be trying to offload a long.

Mr Peul Compton at UBS Phillips & Drew believed the ehare price move could be because Western Motor is likely to benefit from "Perestroika." He said: "Western Motor import Lada cars and the Russians have said they will be epending £1bn to develop a new small car range.

News of bumper interim profite, well above market expectations, lifted VSEL Consortinm. Tbe company reported mid term profits of £12.1m, up from £5.5m et the same stage last year. Mr Pete Deighton at County Natwest said: "There is no way that worries abont defence will impinge on the Trident programme. They are building two and are likely to win orders for two more." Mr Deighton also pointed ont that the company had long order books. County Natwest have upgraded its previoue profit expectations from £23.1m to £27m. The shares closed up 27 to 428p.

A reported profits downgrading from its own brokers was said to have caused the fall in IMI. Cazenove, were said to have shaved 1989 profits expectations hy £3m to £124m, but cut 1990 expectatione from £140m to 128.5m. The shares slipped 11 to 196p.

Hunting put in a good performance as the shares rose 7 to close et 214p. They were said to have been helped by the likelihood of new orders for fitting ont British Aerospace's Jet Stream Turbo prop plane. Britisb Aerospace shares closed a couple lower at 518p.

Unitecb, the electronics components and equipment group, touched a year'e peak of 399p before ending the session a net 16 higher at 397p. Dealers said there were hints in the market that Dr Tito Tettamanti, the Swiss-based arbitrageur, was about to launch a 410p a share takeover bid for the group. Dr Tettamanti has built up a 17 per cent-plus stake in Unitech in recent months. Dealers suggested that any bid from Dr Tettamanti would prompt a counter offer from another Swise group, Elektrowatt, which holds a near 30 per cent stake in Unitech.

Shares in Harry Ramsden, the fish and cbip restauranteur, closed at a 10p premium over the 100p offer price on the Third Market. The offer of 4m shares last week was oversubscribed 2.6 times.

Shares in Attwoods slipped on the announcement of a US acquisition. The company said it had paid £42m to acquire Mindis Industrial Corporation based in Atlanta. The shares fell 9 to 431p. James Wilkes fell on a rights issue to finance a £15m acquisition of Floform, a eupplier of electrodeo to the automotive induotry. The shares fell 31 to 214p.

Continuing fears that next month's finals from Saatchi & Saatchi will reveal lower profits and no dividend continued to undermine the shares. Turnover was a steady 1.2m as the price fell 9 to 293p.

Paper and packaging maker David S Smith rose quickly in a belated response to Thursday's agreed bid for UK Paper. Smith is the UK's only other independent paper maker, and Stone Foundation of the US was again mentioned as a potential suitor. Dealers noted buying interest from the US as well domestic new time buyers. Smith shares rose 19 to 312p.

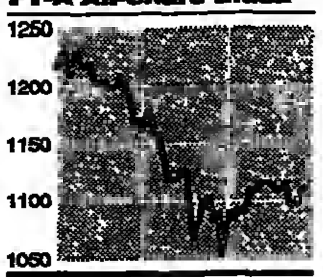
Monotype, which has been making typesetting equipment since the turn of the century, rose 45 to 155p on news of an agreed offer from a US investmeot group. The offer valued Monotype at about £32m.

A large order for British Airways stock at 204p pushed the shares past that mark to close 3 better at 205p.

Two large sellers of USM-quoted British Island Airways took the floor from under the shares which fell 13 to 54p. "It is a 5000 share market and there was one seller of over 20,000 and another of over 70,000," said a dealer.

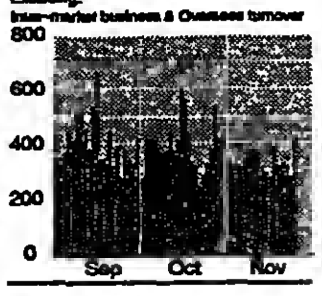
■ Other market statistics, including the FT-Actuaries Share Index. Page 11.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Inter-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (59). BRITISH FUNDS (1) AMERICANS (1) BANKS (2) CHEMICALS (1) STORES (1) ELECTRICALS (1) FOODS (2) INDUSTRIALS (1) Jardine Strategic, Sykes, INSURANCE (1) LEISURE (2) PAPERS (1) TRUSTS (13) OILS (4) MINES (24).
NEW LOWS (62). BANKS (1) BUILDINGS (6) CHEMICALS (1) STORES (3) ENGINEERING (2) FOODS (1) INDUSTRIALS (13) Baird (Wm.), Chestergate, Halls Home & Gdns., Hampson, Do. 6.5p (Net) Prf., London Finance & Inv., London Intl., Lynx, Porth Grp., Rauma-Repola, Silentnight, Suter, Wiltshire Grp., LEISURE (4) MOTORS (1) PAPERS (6) PROPERTY (8) TRANSPORT (2) TRUSTS (8) OILS (2) MINES (1) THIRD MARKET (1).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	82	8	11	288	141	81
Corps. Dom. & Foreign Bonds	10	0	32	47	28	139
Industrials	326	378	897	1,468	2,154	4,375
Financial and Props	182	132	382	828	719	1,837
Oils	25	18	50	129	120	218
Plantations	1	2	6	5	8	35
Mines	57	25	80	271	124	431
Others	47	39	182	324	324	594
Totals	730	603	1,600	3,360	3,613	7,798

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,400	127	-2
Abbey National	7,770	157	+½
Allied-Lyons	887	474	+3
Amstrad	4,500	41	+3½
Argyll Group	6,400	201	
Ass. Brit. Foods	200	399	-2
BAA	758	362	+3
BAT Inds.	1,000	786	+1
BET	1,300	264	-2
BICC	732	419	-6
BOC	665	511	+8
BPB Inds.	1,200	228	-2
BTR	2,100	421	-5
Barclays	2,200	525	+1
Bass	503	988	+13
Blue Circle	1,400	214	-2
Boots	2,300	259	+5½
Brit. & Comm.	2,100	82	
Brit. Aerospace	1,400	518	-2
British Airways	2,700	205	+3
British Gas	8,700	211	+1½
British Land	387	298	-3
BP	5,300	309	-½
British Steel	4,500	136	-½
British Telecom	4,300	265	-2
Burmah Oil	586	675	+12
Burton	1,900	189	+9
Cable & Wireless	330	473	-7
Cadbury Schweppes	1,200	335	-3
Carlton Comms.	300	828	-5
Commercial Union	578	451	-1
Cookson	946	258	-2

Stock	Volume 000's	Closing Price	Day's change
Courtaulds	314	350	
Dalgety	333	373	-2
Dixons	1,500	106	+2
Eng. China Clays	55	391	
Enterprise Oil	486	632	+12
Fisons	2,700	335	+1
General Accident	468	1066	+4
General Elect.	4,955	213½	-½
Glaxo	1,400	734	+2½
Globe Inv.	40000	189	+½
Glynwed Intl.	2,070	244	
Granada	1,000	307	-7
Grand Met.	2,975	537	+10
GUS A	70	1053	+9
GRE	1,700	224	+5
GKN	1,100	379	+2
Guinness	708	593	-1
Hammerson "A"	9	770	-4
Hanson	4,600	223½	+½
Harrisons & Cros.	384	146	+1
Hawker Siddeley	197	614	-7
Hillsdown Hldgs	608	257	-3
IMI	1,900	195	-12
ICI	1,400	1119	+14
Inchcape	1,500	262	+4
Jaguar	733	833	+1
Kingfisher	1,800	288	+7
Ladbroke	1,200	295	-5
Land Securities	1,300	498	-7
Laporte	307	464	-5
Legal & General	983	372	-2
Lloyds Bank	1,200	430	+1

Stock	Volume 000's	Closing Price	Day's change
LASMO	656	536	+7
Lonrho	2,600	267	-1
Lucas	53	565	
MB Group	250	183	+3
MEPC	388	489	-5
Marks & Spencer	2,800	195	+3
Maxwell Comm.	130	222	
Mecca Leisure	170	150	-1
Midland Bank	1,400	338	-1
NatWest Bank	2,300	395	-2
Next	879	96	+1
Northern Foods	150	297	-2
Pearl	563	698	
Pearson	90	715	-4
P & O	1,800	546	-11
Pilkington	2,000	240	+1
Polly Peck Intl.	1,500	379	-3
Prudential	2,500	207	+1
RHM	1,700	422	-4
RMC	130	645	-5
RTZ	1,700	528	-1
Racal	1,100	242	-2
Rank Org.	1,200	854	-9
Reckitt & Colman	95	1189	+1
Redland	155	525	
Reed International	1,500	417	
Reuters	194	919	+3
Rolls Royce	2,800	159½	-2
Rothmans	215	652	+2
Royal Bk of Scotland	1,900	180	+1
Royal Insurance	2,400	486	-2
STC	510	276	-4

Stock	Volume 000's	Closing Price	Day's change
Saatchi & Saatchi	1,200	293	-9
Sainsbury	834	254	
Scott & Newcastle	1,520	350	+1
Sears	2,100	105	+1
Sedgwick	07	281	+3
Shell Transport	2,700	439	+2
Siebe	517	458	+3
Slough Ests.	164	305	-3
Smith & Nephew	2,800	136½	-½
SmithKline Beecham	2,500	561	+1
Smiths Industries	269	267	+5
Standard Chartered	4,400	553	+18
Storehouse	840	117	-½
Sun Alliance	415	297	
T&N	978	186	+3
TI Group	269	401	-1
TSB	4,300	118	-2
Tarmac	3,100	217	+1
Tate & Lyle	471	366	
Taylor Woodrow	1,000	253	-5
Tesco	2,700	186	-1
Thorn EMI	489	731	-2
Trafalgar House	5,840	329	-5
Trusthouse Forte	2,100	289	+2
Ultramar	1,300	337	+2½
Unilever	1,830	669	+10
United Biscuits	2,400	358	-11
Utd. Newspapers	339	463	
Vodafone	25800	719	+6
Whitbread 'A'	1,500	377	+4
Williams Hldgs.	738	226	-1
Wimpey	263	225	-2

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday November 23 1989

Gold Mines Index	+	79.89
Agencies	+	43.44
Health & Household Products	+	40.99
Insurance(Life)	+	39.43
Motors	+	35.21
Investment Trusts	+	32.84
Merchant Banks	+	31.75
Oil & Gas	+	28.73
Conglomerates	+	28.00
Brewers and Distillers	+	26.34
Food Retailing	+	24.54
Other Groups	+	23.89
Banks	+	23.82
Other Industrial Materials	+	23.34
Insurance(Composite)	+	23.13
Consumer Group	+	21.69
500 Share Index	+	20.51
All Share Index	+	20.12
Mining Finance	+	20.07
Industrial Group	+	19.28
Food Manufacturing	+	17.98
Insurance(Brokers)	+	16.73
Financial Group	+	16.33
Leisure	+	15.80
Chemicals	+	14.50
Transport	+	13.95
Publishing & Printing	+	11.28
Capital Goods	+	10.51
Overseas Traders	+	10.08
Mechanical Engineering	+	9.71
Stores	+	8.32
Telephone Networks	+	8.84
Building Materials	+	0.90
Textiles	+	6.14
Electronics	+	8.83
Electricals	+	4.89
Packaging & Paper	+	0.81
Metals & Metal Forming	+	0.55
Property	-	3.82
Contracting, Construction	-	0.54

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-03	-1/32	11.73	11.91	11.37
		9.750	1/98	94-27	+6/32	10.71	10.78	10.48
		9.000	10/08	93-19	+6/32	9.75	9.87	9.53
US TREASURY *		7.875	11/99	100-17	+3/32	7.78	7.88	7.84
		8.125	8/19	102-31	+6/32	7.86	7.90	7.86
JAPAN	No 111	4.600	6/96	94.8972	+0.389	5.47	5.50	5.36
	No 2	5.700	3/07	101.9650	+0.830	5.48	5.52	5.23
GERMANY		6.750	6/98	96.5000	+0.250	7.26	7.46	7.01
FRANCE	BTAN	8.000	7/94	94.3097	+0.129	9.55	9.70	9.24
	OAT	8.125	5/99	94.3000	+0.260	9.03	9.07	6.78
CANADA *		9.500	10/98	99.6250	+0.200	9.56	9.50	9.41
NETHERLANDS		7.250	7/99	96.8900	+0.350	7.71	7.81	7.41
AUSTRALIA		12.000	7/99	93.3702	+0.004	13.23	13.28	13.70

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Markets wither in gold's shadow

LONDON'S COMMODITY markets this week were very much in the shadow of gold. As tbe return of institutional inveotors swept the yellow metal $25 higher to $416.25 a troy ounce (see page 4) – with silver and platinum following in its wake – all the leading soft commodities and London Metal Exchange contracts were losing ground.

Tbe biggest setback was cash nickel's net $575 fall on the week to $9,600 a tonne (after reaching a 21-month low of $9,275 a tonne on Thursday). That was attributed to bearish chart patterns, slowing demand from the stainless steel industry and freer oupplies from the Soviet Union. Ironically, however, nickel was one of only two LME contracts to remain in "backwardation" – where the cash price is above forward positions, generally a sign of concern about nearby supply tightness.

Tha aluminium and leai markets both moved from cash premiums to discounts this week, joining tin and copper. This situation, known as "contango", is regarded as the norm because forward contracts are expected to bear the extra costs of otorage, insurance and lost interest over the intervening period. In recent years, however, lack of metal availabla for immediate delivery had been keeping most metals in backwardation.

The recent wideepread switch to contango hae bad more to do with elackening demand than freer supply. Copper stocks in LME registered warehouses have risen by nearly 30,000 tonnes in the past three weeks to 114,650 tonnes, but that level is still relatively low, as are those for the other LME metals.

For much of this year the impact on copper prices of slowing industrial growth has been masked by concern about a series of production disruptions. Most of these disruptions are over, however, and the one that remains – the stoppage at Papua New Guinea's 180,000 tonnes-a-year Bongainville mine because of rebel attacks – has been going on so long (since May) that it has become almost a fact of life in the market.

The resulting slide in copper prices continued this week with the cash quotation dipping to a 4-month low of £1,576 a tonne before closing yesterday at £1,589.50 a tonne, down £22.50 on balance.

The zinc market is drifting downwards for similar reasons and expectations of snbstantial deliveries into LME warehouses by the end of the year helped to push the high grade cash position down to a 13-month low of $1,350 a tonne on Thnrsday. Profit-taking and ohort-covering purchasee sparked a $10 rally yesterday, but the cash price still closed $80 down on the week, although retaining a $45 backwardation.

The lead market came under further pressure after dipping below a chart support point and the cash position ended the week £18.50 down at £421 a tonne.

It was a similar story on the London Futures and Options Exchange (Fox) where cocoa and coffee futures remained in the doldrums and sugar prices lost some of their recent gains.

The wooden spoon went once again to the cocoa market, where prices plumbed fresh 14-year lows. The March futures position closed yesterday at £653 a tonne, down £21 on the week, and some dealers were predicting a continued slide to £600 a tonne.

Until recently the cocoa market's fundamental weakness had been disguised, as far as the prompt December position was concerned, by concern abont the large number of uncovered contracts for delivery against that position. But the progressive raising of deposit requirements for December contracts has helped to narrow the gap and with large quantities of beans being graded for delivery confidence is growing thet the December expiry will pass off without too much difficulty.

A further downward influence on nearby prices was provided this week by the Ivorian cocoa marketing board'e agreement to disclose the scale of its areas on payments to exporters. This move is expected to result in an upturn in exports from the Ivory Coast from the middle of next month as it will facilitate hank financing of exports.

The country's cocoa shipments have been running well behind normal with only 50,000 tonnes exported so far, compared with 140,000 tonnes at the same point last year.

Coffee prices had been doing no better than cocoa until yesterday, when a £10 rally left the January futures position only £3 down on the week at £682 a tonne. The market tone remains anything but buoyant, however, with even the previously optimistic Mr Luis Escalante, Costa Rica's Foreign Trade Minister, now admitting that price-stabilising International Coffee Organisation export quotas are unlikely to return before late next year.

Richard Mooney

APPOINTMENTS

Shorts new board

The new board of directors of SHORT BROTHERS met for the first time this week, writes Lynton McLain.

Shorts is the aerospace company privatised by the British Government in a sale last month to Bombardier of Canada, an engineering and aerospace organisation.

The board met in Belfast under the chairmanship of Mr Laurent Beaudoin, chairman and chief executive officer of Bombardier Inc.

The new board includes only three of the original eight-man board of Short Brothers before it was privatised. The three are Mr Rodney Lund, the former chairman; Mr Roy McNulty, who remains as managing director of Short Brothers; and Mr Alex Roberts, deputy managing director.

Four of the most senior Bombardier executives have been appointed to the board, including Mr Beaudoin as chairman. The others are Mr Bob Brown, senior vice president; Mr Jean-Louis Fontaine, vice-chairman; and Mr Raymond Royer, president and chief operating officer.

They are joined by Lord King, chairman of British Airways, and Babcock International; Sir Martin Farndale, formerly commander-in-chief of the British Army of the Rhine; Mr Edward Haughey, chairman of Norbrook Holdings; and Dr George Quigley, chairman of the Ulster Bank.

The Government put £780m into Shorts, Belfast's largest employer, under an agreement to sell it to Bombardier for £30m. The injection of funds included new capital investment, money for training, the write-off of Government loans, and £275m to recapitalise the company, repay all remaining borrowings, and to meet anticipated losses on existing aerospace contracts. The Canadian company agreed to keep Shorts for at least four years.

Senior Civil Service posts

Mr Nicholas Monck will be the new public expenditure chief in the Treasury in succession to Mr John Anson, who will be retiring next April, a few months early, to allow Mr Monck to take over at the start of the 1990 public expenditure survey, writes Hazel Duffy. Mr Monck, 54, currently responsible for the industry and public enterprise group, will be promoted to second permanent secretary.

No 10 also announced yesterday the appointment of Mr Peter Owen, 49, currently a deputy secretary in the Department of the Environment, to be deputy secretary in the Cabinet Office in succession to Mr Richard Wilson, who will be taking over the industry sector from Mr Monck.

Dame Anne Mueller, the most senior female civil servant, who has done much to promote equal opportunities in the civil service, will be retiring next month, one year early, for personal reasons.

Mr Hayden Phillips, 46, will succeed Dame Anne Mueller in charge of civil service management and pay. He will be replaced as head of the public services sector by Mr Andrew Edwards.

Mr George Longstaff (above) has been appointed divisional director of CHART DISTRIBUTION SERVICES, Redditch, part of Lex Services group, which has joint ownership of the company with Lombard North Central.

■ Mr Alex Walker has been promoted to director of CIN Properties.

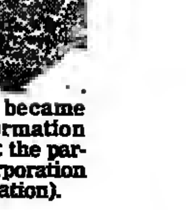
■ BRABANT RESOURCES, Tonbridge, has appointed Mr Alistair S.H. McIlwraith as finance director. He was finance manager and company secretary, Norsk Hydro Oil & Gas.

■ Mr Stuart Benson has been appointed non-executive director of CARGO CONTROL (formerly Jantar). He is a partner in Turner Kenneth Brown.

■ HONORBILT GROUP has appointed Mr Bernard Klug as a non-executive director. He joined the group when Gallini was acquired.

Nationwide technology director

Mr Bernard Simpson has been appointed general manager responsible for technology by NATIONWIDE ANGLIA BUILDING SOCIETY, Swindon. He was a director of Gateway Foodmarkets, where he was responsible for the integration of the Gateway and International chains, and then Fine Fare and Carrefour.



Subsequently he became responsible for information technology throughout the parent company Dee Corporation (later Gateway Corporation).

■ Mr Ian Bell, managing director of the Town & Country Building Society, has been appointed chairman of the METROPOLITAN ASSOCIATION OF BUILDING SOCIETIES until April 1991.

■ TOUCHE, REMNANT & CO has appointed Mr Nicholas Holliday as a director of Touche Remnant Investment Management. He will be responsible for UK pension fund marketing, and joins from a similar post with Robert Fleming Asset Management.

■ Mr Mike Brown, chief executive of the Company Pensions Information Centre, becomes director of information services at THE NATIONAL ASSOCIATION OF PENSION FUNDS from January 1.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours, ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	134.8	136.3xd	145.0	+0.2	5.15
Wellington Growth	5¼	222.3	224.2xd	238.5	+0.7	1.31
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	105.4	109.0	113.5	+0.1	2.94
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ♦ F	2¼	61.39	61.39xd	62.95	+0.08	0.00
Short Dia Gilt ♦ F	1¼	81.98	81.98	83.17	+0.10	7.17
US Govmt Bond ♦ F	1¼	5.5787	.5787xd	.5903	+0.007	0.00
Wilfbro Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	195.1	196.6	209.1	.....	2.52
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Growth & Equity	5	54.86	58 [illegible]	61.88	.....	7.61
European	5	77.17	77.54	82.49	+0.21	0.10
Far Eastern	5	64.44	70.72	75.23	+0.04	0.62
Growth Inc	5	75.93	78.95	83.98	-0.07	1.62
Growth Acc	5	73.41	79.02	84.06	-0.07	1.62
Income Inc	5	73.98	76.34	81.21	-0.13	5.21
Income Acc	5	74.08	76.44	81.31	-0.14	5.17
Property Share	5	47.24	47.24	50.36	-0.08	1.18
Smaller Co's	5	49.41	49.41	52.53	+0.02	1.85
Nth American	5	64.53	64.53	69.01	-0.22	1.57
International	5	49.27	49.27	52.69	-0.07	1.39
Asset Value	5	158.21	158.21	169.20	-0.09	4.43
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	112.91	112.91	118.85	.....	3.95
UK Growth	5	92.40	92.40	97.26	.....	3.08
UK Income	5	95.84	95.84	100.89	.....	4.46

Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1100)F

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	123.0	130.0	+1.0	–
Building Soc. Fd	177.0	187.0	......	–
Balanced	279.0	294.0	+1.0	–
European	193.0	204.0	+2.0	–
GT Managed	184.0	190.0	+1.0	–
Gartmore Mngd.	128.0	135.0	......	–
German	155.0	164.0	+2.0	–
Gilt	173.0	183.0	+1.0	–
Global	49.0	52.0	......	–
High Inc	106.0	112.0	......	–
International Equity	196.0	207.0	+1.0	–
Japan	287.0	303.0	+3.0	–
Managed	56.0	59.0	......	–
Property	298.0	314.0	......	–
R. W. Imperial Gold	147.0	155.0	+1.0	–
UK Equity	313.0	330.0	–1.0	–
Pension Funds				
American	151.0	159.0	–3.0	–
Building Soc. F4	181.0	191.0	+1.0	–
Balanced	219.0	231.0	+1.0	–
European	193.0	204.0	+5.0	–
German	136.0	144.0	+5.0	–
Gilt	153.0	162.0	......	–
International Equity	142.0	150.0	+1.0	–
Japan	146.0	154.0	+1.0	–
Managed	62.0	66.0	......	–
Property	228.0	243.0	......	–
UK Equity	301.0	317.0	......	–
Professional Life Assurance Co Ltd				
Frobisher Hse Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	93.74	99.09	......	–
Pensions Cash Fund	82.08	86.31	......	–

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Index Linked Gilt	203.1	213.8	+0.2	–
Guaranteed	13.93		......	–
International Money	212.1	223.3	–0.4	–
North American	82.1	86.5	+1.4	–
Japanese	166.5	175.3	+2.1	–
European	109.0	114.8	+1.4	–
Special Situations	107.0	113.5	+0.3	–
Communications	102.6	108.0	+0.2	–
Smaller Companies	103.7	109.2	+0.5	–
International Small Cos.	143.2	150.8	+0.8	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Nov 8	£159.52	164.53	......	–
Equity Nov 8	£166.95	173.01	......	–
International Nov 8	£29.07	29.72	......	–
Intl Bond Nov 8	£13.01	13.18	......	–
Fixed Int. Nov 8	£74.03	74.85	......	–
Index Linked Nov 8	£63.25	64.05	......	–
Property Nov 8	£116.58	121.48	......	–
Cash Nov 8	£22.1650	22.1650	......	–
Pru-Linked Retirement Plan				
Managed Nov 9	383.4	399.4	......	–
Cash Nov 9	207.8	216.5	......	–
Prudential Pension Investment Account				
Pens Mngd Nov 24	155.6	167.4	+1.6	–
Pens UK Eq Nov 24	284.6	306.7	+3.6	–
Pens Intl Nov 24	202.4	217.9	+1.7	–
Pens Fixed Nov 24	169.7	179.2	+0.1	–
Pens Index Lk Nov 24	163.1	172.3	–0.5	–
Pens Cash Nov 24	135.F	142.9	......	–
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

Brown Shipley Fund Mgmt (CI) Ltd

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

Equitilink International Mngt Ltd

Fidelity International (CI) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

Hill Samuel Investment Services Int(x)

Management International (Jersey) Ltd

Midland Bank Tst. Corp. (Jersey) Ltd

M&M Britannia International Limited

Morgan Grenfell Funds Mgmt (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Pensebat UT Mngrs (Jersey) Ltd

Prudential Intl Financial Services Ltd

Royal Trust Fd Mgmt (CI) Ltd

Royal Trust Intl Fd Mgmt Ltd

Save & Prosper International

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Money Fund Ltd

Scimitar Worldwide Selection Fund Limited

Scrimgeour Kemp-Gee Mngmt. Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Investment Management Jersey Ltd

World Bond Fund-SICAV

World Capital Growth Fd-SICAV

Worldinvest (Managers) Jersey Ltd

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
133½	124	Treas 2pc IL '90(84 6)	133¾	+1/16	2.09	9.98
99⅞	98⅜	Exch 11pc 1990‡‡	99⅝	+1/32	11.10	14.59
101⅜	99⅛	Exch. 12½pc 1990	99⅝	+1/32	12.58	14.51
96⅝	91⅜	Treas. 3pc 1990	96⅛	..	3.12	12.24
97⅛	95⅝	Treas 8¼pc 1987–90‡‡	97⅜	+1/16	8.49	13.65
98⅝	95¼	Treas 8pc Cv 1990 ‡‡	96⅝	+1/32	8.28	13.65
98⅞	96⅛	Treas. 10pc Cv 1990	97	+1/32	10.31	13.55
93⅜	87⅞	Exch 2½pc 1990	92⅜	−1/16	2.70	10.57
101⅝	95⅛	Treas 11¾pc 1991	98⅛	+1/16	11.96	13.37
93¼	89⅞	Funding 5¾pc '87–91‡‡	92⅜	......	6.20	11.64
90⅛	86⅛	Treas 3pc 1991	90⅛	......	3.32	10.29
100⅝	95⅝	Treas 10pc Cv '91 ‡‡	96⅛	...	10.40	12.65
101⅜	96⅛	Exch. 11pc 1991	97⅞	+1/32	11.27	12.44
94⅛	91⅛	Treas. 8pc 1991	92⅛	....	8.67	12.39
106⅜	100⅜	Treas 12¾pc 1992‡‡	101¼	−1/32	11.59	12.03
99½	95⅛	Treas 10pc 1992	96	+1/32	10.42	12.06
94½	90⅛	Treas. 8pc 1992 ‡‡	91⅞	......	8.71	12.04
100¼	96⅜	Treas 10½pc Cv 1992‡‡	97⅛	−1/16	10.81	11.87
85⅝	82¼	Treas 3pc 1992	84⅛	......	3.54	9.97
105⅛	100⅛	Exch. 12¼pc '92	100¾	−1/32	12.15	11.86
104¼	103⅛	Exch 13½pc 1992	104⅛	......	12.97	11.71
94⅛	90⅛	Treas 8¼pc 1993	91⅛	+1/32	9.05	11.58
100⅛	95⅛	Treas 10pc 1993‡‡	96⅛	+1/16	10.41	11.42
108¼	102½	Treas 12½pc 1993‡‡	102⅞	+1/32	12.15	11.47
89⅛	84⅛	Funding 6pc 1993‡‡	86⅝	...	6.92	10.29
113⅛	107⅛	Treas 13¾pc 1993‡‡	107⅛	+1/32	12.78	11.52
94⅛	89⅛	Treas 8½pc 1994	90⅞	+1/32	9.17	11.32
117⅞	110⅛	Treas 14½pc 1994‡‡	111⅛	+1/32	13.06	11.16
113⅞	106⅛	Exch 13½pc 1994	107⅛	+1/32	12.55	11.27
100⅜	95⅞	Treas. 10pc Ln. 1994‡‡	96⅛	+1/32	10.40	11.11
110⅞	103⅛	Exch. 12¼pc 1994	104⅛	+1/16	11.97	11.25
96⅞	91⅞	Treas 9pc 1994‡‡	92¼	+1/32	9.75	11.05

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS – Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15½	847p	Hasbro Inc 50c.	13⅝	.....	16c	–	0.7
57½	32¾	Honeywell $1½	30¼	–⅛	$2.75	–	3.4
22⅝	15½	Houston Inds.1	21⅞	.....	$2.96	–	8.6
76⅛	60⅞	IBM Corpn $1¼	64⅛	+⅜	$4.84	–	4.8
60p	95p	House Storage 2.5p 1c	30p	.....		–	–
32¼	18¾	Ingersoll-Rand $2	30¾	.....	$1.20	–	2.5
33¼	22½	Lockheed Crpn $1	24	.....	$1.80	–	4.7
22⅝	12½	Lone Star Inds $1	13½	.....	$1.90	–	8.9
27⅞	17½	Louisiana Land 15c	26	.....	$1.00	–	2.4
20⅛	11½	Lowe's 50c	18⅝	.....	49c	–	1.6
28⅛	15⅛	Manuf. Hanover $1	23⅝	.....	$3.28	–	8.9
22⅝	13⅛	Merrill Lynch $1	16¾	.....	$1.00	–	3.8
24⅝	19⅛	Motors Inc	21¾	.....	5.2c	–	–
30⅝	15⅛	Morgan (JP) $2½	27⅝	+⅛	$1.66	–	3.8
28⅛	24⅛	Morris (Philip)	26⅛	+⅛	$1.13	–	2.7
54⅛	36⅛	NYNEX $1	52⅛	.....	$4.36	–	5.3
45p	16p	N'wide Legal Serv	20p	.....	–	–	–
24⅞	18¾	PHH Corp.	23⅝	.....	$1.16	–	3.1
259p	167p	Pacific Agr	167p	.....	–	–	–
28¼	19	Pacificorp $3¼	27⅝	.....	$2.76	–	6.0
30¼	19⅞	Pacific Telesis 10c	28¼	.....	$1.98	–	4.2
22⅛	15¾	Pall Corp 25c	21	.....	48c	–	1.4
55⅛	39⅛	Pennzoil 83 1/3c	50⅝	.....	$3.00	–	3.8
42⅛	38⅛	Quaker Oats $5	38⅛	.....	$1.40	–	2.3
32⅛	23⅛	Rep NY Corpn $5	10	.....	$1.28	–	2.7
16⅛	11⅛	Rockwell Intl $1	13⅛	.....	7c	–	3.7
20⅛		Sears Roebuck 75c	24⅝	+⅛	$2.00	–	5.2
37⅛	21⅛	Southwestern Bell $1	14⅛	.....	$2.60	–	4.8
27⅝	17⅛	Sun Co Inc $1	34⅛	.....	$1.80	–	4.6
31⅛	22⅛	TRW Inc. 62½c	28⅛	.....	$1.72	–	3.8
24⅛	14⅛	TW Services $5	21⅛	.....	–	–	–
40⅛	26⅛	Tenneco $5	37⅛	.....	$3.04	–	5.2
35⅛	28	Texaco $6.25	34⅛	.....	$3.00	–	5.5
28⅛	18⅛	Texas Instr $1	21⅛	.....	72c	–	2.0
117⅛	38⅛	Time Inc $1	83⅛	.....	$1.00	–	0.8
19⅛	15⅛	TRINOVA Corp.	14⅛	.....	56c	–	2.9
26⅛	16	USX $1.	21⅛	+⅛	$1.40	–	4.1
321p	126p	♥Unilab	296p	.....	–	–	–

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	126	Airtours 10p	192	.....	†6.25	3.2	5.5	6.9
[illegible]	195	Anglia TV	251	+2	†7.75	3.3	4.1	9.8
[illegible]	109	Aveco 1p	119	–1	g1.13	8.9	1.3	10.4
[illegible]	9	♦BCE Hldgs 5p	18	–1	0.4	–	3.0	–
[illegible]	275	Barr & W.A.T. 'A'	285	.....	†15.0	1.7	7.0	11.5
[illegible]	225	Boosey & Hawkes	425	+10	†10.0	2.5	3.1	16.8
[illegible]	35	♦Border T.V.	52	.....	2.0	3.4	5.1	7.6
[illegible]	317	Brent Walker 10p	345	–5	†11.0	3.6	4.3	7.0
[illegible]	79	Do 6pc.Cv.Cm.Rd.Pf	92	–1	6.0	–	8.7	–
[illegible]	80	Buckingham Int'l. 10p	92	–1	–	–	–	–
[illegible]	[illegible]	[illegible] Int. 20p	155	–5	8.5	3.9	7.3	4.0
[illegible]	[illegible]	[illegible] Radio 10p	985	–70	18.0	♦	2.7	♦
958	[illegible]	[illegible] Cmmctns	820	–5	†7.5	5.2	1.2	22.2
125	[illegible]	[illegible] 6.5p Prf	105	.....	6.5	–	8.3	–
465	[illegible]	[illegible] Comms. 5p	428	.....	8.5	♦	2.6	♦
823	[illegible]	[illegible]	700	+5	†25.5	2.5	4.9	10.7
248	[illegible]	[illegible]	235	–1	♦3.43	0.1	3.4	–
140	50	[illegible] 5p	139	.....	†h0.5	10.1	0.5	27.4
[illegible]	[illegible]	[illegible] Wheels In0.20	11	.....	–	–	–	–
392	[illegible]	[illegible] Group 5p	330	+1	†1.72	2.7	2.8	17.4
106	69½	[illegible] Leisure	85	+1	Q0.8%	♦	2.5	♦
110	[illegible]	[illegible] Lands 10p	59	–1	0.5	–	1.1	–
*117	[illegible]	[illegible] Leis 20p	89	.....	–	–	–	30.0
675	437	Fairline Boats 10p	543	.....	†13.5	5.6	–	7.2
[illegible]	149	First Leisure	214	.....	†2.95	3.3	1.8	21.7
[illegible]	595	♦GWR Group 20p	595	–10	†3.0	11.3	0.7	15.3
[illegible]	45	Grampian TVA 10p	69	.....	†3.0	2.8	5.9	7.8
[illegible]	20	♦Greenwich Comm	26	+1	–	–	–	–
[illegible]	88	HTV Ord	122	+2	5.0	♦	5.5	♦
[illegible]	68	Hi-Tec Sports	81	.....	4.5	2.6	7.4	6.8
27	3	Int'l Media Comm. 5p	6½	+1	–	–	–	–
[illegible]	160	[illegible] Sound 10p	183	–8	L2.7	♦	2.0	♦
[illegible]	41½	♦Kunick 10p	57	–½	†1.4	2.4	3.3	16.1
[illegible]	97	Do 7p Rd. Pf	115	.....	7.0	–	8.1	–
[illegible]	157	LWT 5p	283	+2	†5.7	3.4	3.7	10.2
[illegible]	29	Leisure Inv 10p	35	+3	♦s1.75	1.4	♦	10.7
[illegible]	343	♦Marina Devs. 50p	407	.....	7.5	1.9	2.5	27.3
[illegible]	149	Mecca Leisure 10p	158	–1	†n4.56	1.8	4.1	18.4
[illegible]	83	Do. 7.25p Cv Rd Pf 20p	87	–1	7.25	–	11.1	–
[illegible]	101	Medminster 10p	140	.....	♦3.9	♦	3.8	♦

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
90	40	Sempernova	50	+2	–	–	–	11.0
39	20	Sleepy Kids 5p	24	.....	–	–	–	–
*17½	3½	Staks Hldgs. 5p	7	.....	–	–	–	13.0
*3¾	1¼	Stannard Studios 1p	1¼	.....	–	–	–	6.0
11	2½	Systems Connection 2½p	2½	.....	–	–	–	3.3
50	28	Tavern Leis. 20p	39	.....	–	–	–	–
115	28	Tomorrows Leisure 20p	84	.....	–	–	–	32.0
113	60	UPL Group 10p	65	.....	2.75	1.9	3.6	12.3
150	129	Unit Group	129	.....	5.0	3.3	5.2	7.3
100	66	Video Magic Leis 1p	79	.....	W2.0	0.7	3.4	63.3
14	4½	Vista Ents 5p	4½	.....	–	–	–	–
40	20	Vizcaya Hldgs 5p	20	–3	–	–	–	–
46½	23	Whitegate Leisure 20p	30	+½	–	–	–	–
32½	10	Do. Wrrnts	25	.....	–	–	–	–
10¼	4½	Wilton Group 1p	4½	+¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ✝ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	87	+1
Craig & Rose £1 γ	830xd	.....
Finlay Pkg. 5p γ	66	.....
Holt (Jos) 25p γ	1343	.....

IRISH

Cap. 8½% Ln. 1991	£96¾	+⅛
9pc Cap Ln. 1996	£96½	+¼
Fin. 13% 97/02	£116	.....
Arnotts	405xd	.....
Carrol (P.J.) γ	145	.....
Hall (R. & H.J.)	193	.....
Helton Hldgs γ	90	+2
IRG	230	.....
United Drug	132	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	42
Amstrad	6½
Astec (BSR)	5¾
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	14
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	10
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	36
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	14
STC	25
Sears	4
SmKl. Beecham A	48
TI	58
TSB	4
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	3
Land Securities	46
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

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FINANCIAL TIMES
Weekend November 25/November 26 1989

Battle of ideas in Tories' contest without challengers

By Michael Cassell, Political Correspondent

WITH Mrs Margaret Thatcher on coast-to-coast US television yesterday denying she had made herself a "lame duck" Prime Minister and opponents at home portraying her as an autocratic, born-again president for life, a Tory leadership contest without any challengers appeared to be well under way.

While one junior minister rounded on MP Sir Anthony Meyer, the only identified, possible candidate, suggesting he would appeal to the party's "invertebrate tendency," another Tory MP sent ballot papers to his constituency party members asking them to tell him if they supported Mrs Thatcher or "another member of parliament."

A former minister has already demanded that all his colleagues should give a public oath of allegiance to Mrs Thatcher. Yesterday, in the Commons, the opposition parties stepped up efforts to impose maximum embarrassment and anxiety within an uncharacteristically rattled Tory party.

Mr Douglas Hurd, the Foreign Secretary, on being urged by Labour to emulate Eastern European ministers in persuading "ageing and intransigent" leaders to resign, said only that he had better continue with his speech.

Mr David Steel, the former Alliance leader, called her "a rabid old lioness" while Mr Paddy Ashdown, the leader of the Liberal Democrats, said the only thing worse than a prime minister intending to retire after the next election was one who would not retire.

For the defence, Mr David Waddington, the Home Secretary, endorsed Mrs Thatcher's leadership. He said the Tory party and millions of ordinary people should welcome her determination to "see through to the end" the work she began in 1979.

In North West Clwyd, Sir Anthony's constituency, there were rumblings of discontent at the MP's avowed intention to stand if no one better comes forward by the time nominations close on Thursday. Mr George Lee, a member of the local party executive, said Sir Anthony had not been sent to Westminster to fight the Prime Minister.

Mrs Thatcher herself, in Washington for brief talks with President Bush, proclaimed her combative credentials and said she was looking forward to the battle of ideas.

Explaining her apparent about-turn on plans to step down sometime after the next election, Mrs Thatcher said she had received so many protests about her original remarks that she was prepared, by popular acclaim, to carry on. She continued: "People were suggesting that if one were not prepared to go on, one might be a lame duck. I've never been a lame duck in my life and I do not intend to start now. I will go on, as long as I am wanted or re-elected."

Sir Anthony, who has yet to secure his proposer or seconder, said his impending challenge had been made all the more relevant by the Prime Minister's latest comments. He said of his opponent: "Isn't she wonderful. I think she is absolutely terrific. But what she is, in effect, saying is that she is offering herself as president for life. And if that really is so, I think the case for the party to decide democratically whether they want a president for life is overwhelming."

Sir Anthony stressed that if a more senior contender emerged, he would "fade into the oblivion from which I should never have emerged."

Mrs Thatcher would vote for that.

Thatcher asks Bush for caution on eastern Europe, Page 2

Driving along: Margaret Thatcher and George in a golf cart at Camp David

Screening for AIDS to start in hospitals

By Alan Pike, Social Affairs Correspondent

A WIDESPREAD programme of anonymous screening to try to establish the extent of the AIDS threat in Britain is to be introduced in the new year.

Blood taken from hundreds of thousands of people attending hospitals for other medical tests will be analysed for HIV antibodies in a long-term programme to track the spread of the AIDS virus.

The screening programme will provide much-needed details about the extent of HIV among heterosexuals, where information is scarce.

There had been 1,422 AIDS deaths in Britain by the end of October – the great majority among homosexual men, intravenous drug abusers and haemophiliacs.

Government health officials have become alarmed at recent suggestions that the heterosexual community has little to fear from AIDS. Last week Lord Kilbracken, a Labour peer, said official figures suggested that the likelihood of AIDS infection among heterosexuals was insignificant.

Sir Donald Acheson, the Government's chief medical officer, rounded on such views at an international symposium on AIDS in London yesterday. They were, he said, highly irresponsible. At least 700 British people had been infected as a result of heterosexual intercourse and the real figure could be much higher. He said: "AIDS is not prejudiced and can kill anyone, whatever their sexual orientation."

Mrs Virginia Bottomley, the Health Minister, announced the screening programme at the symposium. Details of the age and sex of those screened and the location of tests will be collected but she said that all blood would be tested anonymously and "it will be quite impossible to trace the result of the test back to the individual patient."

Patients who object will be able to refuse to allow their blood to be tested.

The screening programme will begin on January 15. It will be launched in sexually transmitted disease and antenatal clinics and will be extended to some general hospitals later in the year. Newborn babies will be included in the tests.

A nationwide screening programme will provide information on HIV infection by age group, sex and geographical location and the information gained should enable AIDS prevention campaigns to be better directed.

THE LEX COLUMN

Devaluation by another name

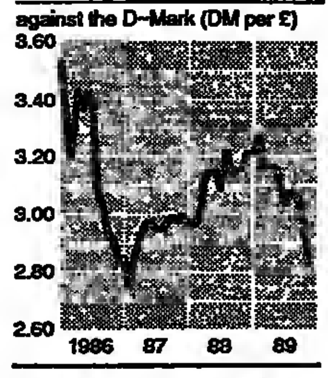
The UK equity market has given up worrying about sterling and the economy's obvious economic problems for the moment. It is once again being dragged higher by Wall Street and by a rather beguiling belief that the Government will let sterling slide ever lower rather than risk the political damage of another emergency rise in base rates. This is the only way to rationalise the 140-point rally in the FT-SE over the last month. But it would be surprising if the market's robustness was not tested severely in the weeks ahead.

The immediate problem remains sterling, rather than the health of the corporate sector. The pound's effective exchange rate has dropped by close to 12 per cent over the last 10 months, and the credibility of the Government's anti-inflationary policy has fallen even further. The UK balance of payments is on the mend, but inflationary pressures are increasing. A falling pound is contributing to strong export growth, but import prices are rising rapidly; and the unhealthily high level of wage settlements is a reminder of what happens when corporations are no longer subject to the discipline of a firm exchange rate.

Admittedly, the pound's problems have been worsened by domestic political uncertainties and a very strong D-Mark. If the West Germans do not tighten their monetary policy and the US continues to lower its interest rates, it could all end happily. But if the pound is allowed to fall again next week by as much as it did this week, it will have breached its all-time low against the D-Mark. This is not the sort of signal to inspire the confidence of foreign investors in sterling, which is something the equity markets can ignore only at their peril.

FT index rose 0.8 to 1,754.9

Sterling against the D-Mark (DM per £)



Local radio

It is hard to see why Capital Radio's shares have dropped a full 11 per cent to 903p since it reported on Thursday annual pre-tax profits up nearly two-thirds. But this exaggerated drop has the merit of drawing attention once again to a sector where there still looks to be a great deal to play for, in spite of its remarkable re-rating in the last two years.

It is unlikely that the drop in Capital's shares simply reflected the market's general disaffection with small companies. At £147m of market capitalisation, Capital is not small any more. It sounds rather as if worries over advertising revenue trends were to blame, accounting too for the 8 per cent drop in Radio City's stock this week.

Oddly enough, though, the advertising revenue outlook does not seem so grim. Revenue growth has certainly slowed a great deal from the sector-wide compound annual rate of 25 per cent seen in 1987-88, to about 9 per cent currently at Capital, and presumably rather less at smaller stations. But this rate of growth is still a lot better than the figures TV companies can expect; and some of local radio's fundamental characteristics remain attractive.

With advertising revenues at about £127m, compared with £1.5bn for local newspapers and magazines, radio stations still have a lot of scope for expanding market share. Perhaps equally important are the signs of relatively prudent management.

It is striking that out of nine local radio companies surveyed in a recent broker's circular, only three had net balance sheet gearing of more than 20 per cent.

EC mergers

There is a perceptible air of satisfaction in UK Government over the way EC takeover policy is developing. A massive UK-inspired report by Coopers & Lybrand on barriers to takeover in the EC has proved conclusive enough to prod the Commission into suggestions for reform. As for the vexed question of which deals are the business of national governments and which of Brussels, it seems possible that the mergers directive settling all that can be agreed by Christmas.

The UK position on reciprocity has been subtly refined since Lord Young's breezily libertarian approach to the Rowntree takeover. The line then was that economies which denied themselves the competitive benefits of takeovers damaged only themselves. The worry now is that as industries in the EC consolidate ahead of 1992, UK companies will be more victim than predator.

In terms of hostile takeovers, this is partly inevitable: the market value of quoted companies in the UK is nearly half the EC total. But the imbalance also results from the notorious differences in status between shareholders and management in the UK and on the Continent. It now looks as if the Continental members are going to have to move closer to Anglo-Saxon notions of shareholder power. If so, the investment banks which specialise in mergers and acquisitions will have a new lease of life.

It would not do to exaggerate this. Hostile bids across EC borders are still rare; the only big UK company to succumb last year was Peachey Property. Coopers & Lybrand suggest that in takeovers below £200m or so, the balance actually runs in favour of UK acquirers. Nor is it quite clear why, if the UK approach to mergers is the model to which the rest of the Community now aspires, UK industry has underperformed so badly. But at least, if the rules are the same across the EC, the UK will have one less excuse for that.

Barclays Bank

The steady retreat of British banks from North America continues apace, and it is not a pretty sight.

Yesterday, Barclays agreed to sell its consumer finance and instalment credit business to a more entrepreneurial-minded local institution. It is the latest sign that UK banks are abandoning their grand ambitions to become major players in the world's biggest banking market and retrenching.

Barclays has tried long and hard to make a success of this business, but has finally decided that it is no longer worth the effort.

It is a sensible decision for a bank which believes it is one of the best in the world; but it does raise the question of why British banks ever felt they had to spend billions of dollars to establish themselves in the US. The cost to shareholders has been substantial; and if shareholders want to invest in a US bank they have plenty to choose from.

Hong Kong pays for China's crisis

By John Elliott in Hong Kong

HONG KONG'S economic growth has suffered a sharp fall – largely because of the June crisis in China.

According to early estimates, the colony's economy contracted by 1 per cent to 2 per cent in the third quarter of this year in the immediate wake of the massacre of pro-democracy demonstrators in Peking. There has been a marked slowdown in both external trade and domestic demand.

This is a faster rate of economic deceleratioo than had been expected. The Government yesterday halved its forecast of GDP growth for the whole of 1989 from about 6 per cent to 3 per cent.

This means the rate of growth of Hong Kong's economy will have halved in each of two successive years, down from 13.5 per cent in 1987 to 7 per cent in 1988 and 3 per cent this year.

After a slight contraction in growth in 1985, the economy grew by 30 per cent in the following three years. It was beginning to cool down when it was rocked by the events in China in June.

The figures suggest that the impact of June on Hong Kong had been underrated and demonstrate how severely its business confidence, activity and consumer demand were knocked. This accelerated an economic slowdown which had been triggered hy China's austerity programme and hy a decline in world demand.

There has also been local reaction to Hong Kong's own overheated economy.

However, government economists believe that there will now be some slight recovery because the initial shock of the June events has worn off and the tourism and property markets have bottomed out.

The trade figures for October are expected to show that domestically-produced exports grew by only 1 per cent in real terms compared with a year earlier. This compares with 5.5 per cent in the first quarter, 2.2 per cent in the second quarter and a 1 per cent decline in the third quarter.

Yesterday's figures were contained in the Government's third quarter economic report. They revealed that the annual rate of inflation remains high, with a forecast of around 10 per cent for the year, up from a forecast of 9.5 per cent three months ago.

Sharp drops in tourism and other domestic activity led to a 4 per cent decline in retail sales in the third quarter compared with a year earlier. This followed a 3 per cent decline in the second quarter and 6 per cent growth in the first three months of the year.

Hong Kong's decline in entrepot trade with China was shown by re-exports to China falling by 1 per cent in the third quarter compared with a year earlier. This contrasts with 50 per cent year-on-year growth in the first quarter.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Allianz	2189	+	59
Commerzbank	254	+	6.5
Dresdner Bk	349.5	+	8.5
Hochtief	980	+	10
Lahmeyer	1116	+	33
Falls			
Nixdorf	329.5	–	4.5
NEW YORK ($)			
Rises			
Am. Barrick	32¾	+	⅞
Homestake Mng	19⅛	+	⅞
Primerica	28⅛	+	¼
Texas Air	12⅛	+	1
Texas Instr.	37¾	+	1¼
Unisys	15	+	½
PARIS (FFrs)			
Rises			
A. Dassault	570	+	36.1
CGI-Inform.	1750	+	159.2
Euromarche	4448	+	295.3
Facom	1598	+	82
Sogerap	420	+	22.1
Falls			
Gaz et Eau	80.5	–	2.5
TOKYO (Yen)			
Rises			
Daito Gyorui	1600	+	150
Hyakujushi Bk	1230	+	130
Iyo Bank	1190	+	100
Seiren	2400	+	290
Seika	1140	+	100
Falls			
Ikegami Tsush.	1750	–	150

New York prices as at 12.30pm.

LONDON (Pence)			
Rises			
Bass	979	+	3
Boots	259	+	5½
Burmah	675	+	12
Enterprise	632	+	12
Grand Met.	537	+	10
Hunting	214	+	7
Morgan Grenfell	476	+	16
Refuge Ins.	677	+	9
Standard Chart.	553	+	18
Steetley	372	+	15
Unitech	397	+	16
Vaux Grp.	327	+	4
Falls			
Attwoods	432	–	8
Brit. Isl Air.	54	–	13
Capital Radio	903	–	70
Edbro	245	–	55
IMI	195	–	12
Land Secs.	498	–	7
P & O Defd.	545	–	11
Saatchi	293	–	9
United Biscuits	350	–	11

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	17	63	Dallas†	S	5	41	Madeira	C	19	66	Prague	F	1	34
Algiers	F	22	72	Dublin	F	5	41	Madrid	C	12	54	Reykjavik	Dr	5	41
Amsterdam	C	8	46	Dubrovnik	S	13	55	Majorca	S	18	64	Rhodes	S	20	68
Athens	F	20	68	Edinburgh	F	4	39	Malaga	F	17	63	Rio de Janeiro		–	–
Bahrain	S	24	75	Faro	F	18	64	Malta	S	22	72	Rome	R	11	52
Barcelona	R	13	55	Florence	C	10	50	Manchester	F	3	37	Salzburg	S	3	37
Belfast	C	5	41	Frankfurt	F	4	39	Melbourne	F	17	63	S'Francisco†	R	12	54
Belgrade	S	3	37	Geneva	S	4	39	Mexico City		–	–	Santiago		–	–
Berlin	C	2	36	Gibraltar	F	17	63	Miami†	C	18	64	Seoul	S	11	52
Biarritz	F	15	59	Glasgow	C	5	41	Milan	S	6	43	Singapore	F	31	88
Birmingham	S	6	43	Guernsey	F	8	46	Montreal†	F	-14	7	Stockholm	S	-1	30
Blackpool	F	3	37	Helsinki	Sn	-10	14	Moscow	S	-8	18	Strasbourg	S	3	37
Bombay	S	29	84	Hong Kong	C	22	72	Munich	S	3	37	Sydney	F	26	79
Bordeaux	C	10	50	Innsbruck	S	2	36	Nairobi	F	23	73	Tangier	C	18	64
Boulogne	F	7	45	Inverness	F	4	39	Naples	C	10	50	Tel Aviv	F	22	72
Bristol	S	7	45	Isle of Man	F	8	46	Nassau		–	–	Tenerife	R	19	66
Brussels	S	6	43	Istanbul	C	7	45	Newcastle	R	5	41	Tokyo	S	17	63
Buenos Aires		–	–	Jersey	F	9	48	New Delhi	F	18	64	Toronto†	Sn	-6	21
Bucharest	S	3	37	Johannesburg	R	27	81	New York†	S	-2	28	Tunis	S	27	81
Cairo	S	24	75	Las Palmas	C	23	73	Nice	C	11	52	Valencia	F	17	63
Cape Town	S	22	72	Leeds	F	6	43	Nicosia	S	22	72	Venice	S	7	45
Cardiff	S	8	46	Lisbon	F	15	59	Oporto	C	15	59	Vienna	S	7	45
Chicago†	S	-11	12	Locarno	C	7	45	Oslo	S	-2	28	Warsaw	Sn	-1	30
Cologne	C	5	41	London	F	6	43	Paris	S	7	45	Washington†	S	-4	25
Copenhagen	F	-3	27	Los Angeles†	C	16	61	Peking	S	13	55	Wellington	F	15	59
Corfu	F	20	68	Luxembourg	F	5	41	Perth	S	33	91	Zurich	S	-2	28

C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder
† Noon GMT temperatures

Morgan hopes for ally in Indosuez fight

By David Lascelles, Banking Editor

NEGOTIATIONS by Morgan Grenfell, the City merchant banking group, to find a "white knight" to help it fend off an unwelcome approach from France's Banque Indosuez are likely to reach a climax this weekend.

Morgan hopes to be able to make an announcement on Monday. Deutsche Bank, West Germany's biggest bank, appears to be the front-runner, although other institutions are also involved.

Morgan needs to clinch a deal before Wednesday, when shareholders at Willis Faber will be voting on whether to sell a further 10 per cent of Morgan stock to Banque Indosuez. Willis has already sold 10 per cent to Indosuez, which now holds 14.9 per cent and is Morgan's largest shareholder.

Morgan has made it clear that it does not relish the prospect of Indosuez owning 25 per cent of its stock. It claims that the French bank will cramp its style without bringing it any great benefits.

Mr John Craven, Morgan's chief executive, asked Mr Antoine Jeancourt-Galignani, Indosuez's chairman, to agree to a five-year standstill on his investment in Morgan. However, Mr Jeancourt-Galignani said he was not prepared to wait that long, forcing Morgan to look elsewhere.

The quest for a "white knight" was not easy, because few institutions are acceptable to Morgan and strong enough.

Analysts said yesterday that a new offer would have to value Morgan at £5 a share at least – the price at which it was listed on the stock exchange three years ago, valuing the whole group at nearly £800m. Morgan shares last night closed at 460p.

Deutsche Bank refuses to comment. It has owned 4.9 per cent of Morgan for nearly five years, and is engaged in a policy of European expansion.

Czechs

Continued from Page 1

expressed sympathy with these peace demonstrations, saying that they were in aid of necessary reforms.

All remaining doubts that the workers and many in the countryside would stay aloof from the agitation – one of the last main hopes of the Communist leadership – also crumbled yesterday. Some 10,000 workers from CKD, the huge Prague engineering works, attended the Wenceslas Square rally.

Mass demonstrations also took place in Bratislava, Kocice, Vitkovice and Banska Bystrica in Slovakia – all with high worker participation.

Czech television suddenly discovered glasnost. Programmes were interrupted late in the afternoon by clips from the Prague demonstration, during which an announcer voiced the view that the demonstrators were "putting forward the demands of us all."

Krenz interview

Continued from Page 1

Berlin showed more "co-operation".

He said: "At the moment, we are not planning to open it. Whether we open it, and when we open it, depends not on us, but on the other side."

Mr Krenz revealed his country's interest in eventually joining the European Community. Although "a difficult qoestion to judge today," he called EC membership: "A question in a historical framework – to do with the common European house which we all want to build."

In spite of the opening a fortnight ago of East Germany's western borders, Mr Krenz said the Berlin Wall would stay to prevent unity between the two German states. "The falling away of the border would have significant consequences for carrying out certain plans for reunification." Under present circumstances, he said, "the existence of two German states is a question of stability and peace in Europe."

In a intriguing glimpse of possible new East German perspectives on reunification, Mr Krenz indicated that, at some stage in the future, German unity could become feasible. East and West Germany could eventually move towards a form of confederation if Nato and the Warsaw Pact were to dissolve in coming years.

He said: "The question of reunification at the moment is not on the agenda because it would totally change the power relationships in Europe . . . But, concerning the building of a European house, I say we will have to wait and see how the German Question develops."

Mr Krenz put the blame firmly for East Germany's economic crisis on "deformations" caused by adherence to the "administrative system" inherited from the "Stalinist past."

He added: "We are ready to take advice about making our state more effective and attractive. But we are not ready to be dictated to with conditions from any other country – especially the Federal Republic."

Mr Krenz, previously in charge of security in the Politburo, hailed as "fantastic" the protest groups which have taken to the streets in East Germany this autumn to call for reforms.

He welcomed the lack of violence since the security forces stopped their brutal suppression of demonstrations early last month. However, he warned: "We have to see that every big demonstration, however peacefully planned, has risks."

Weekend FT

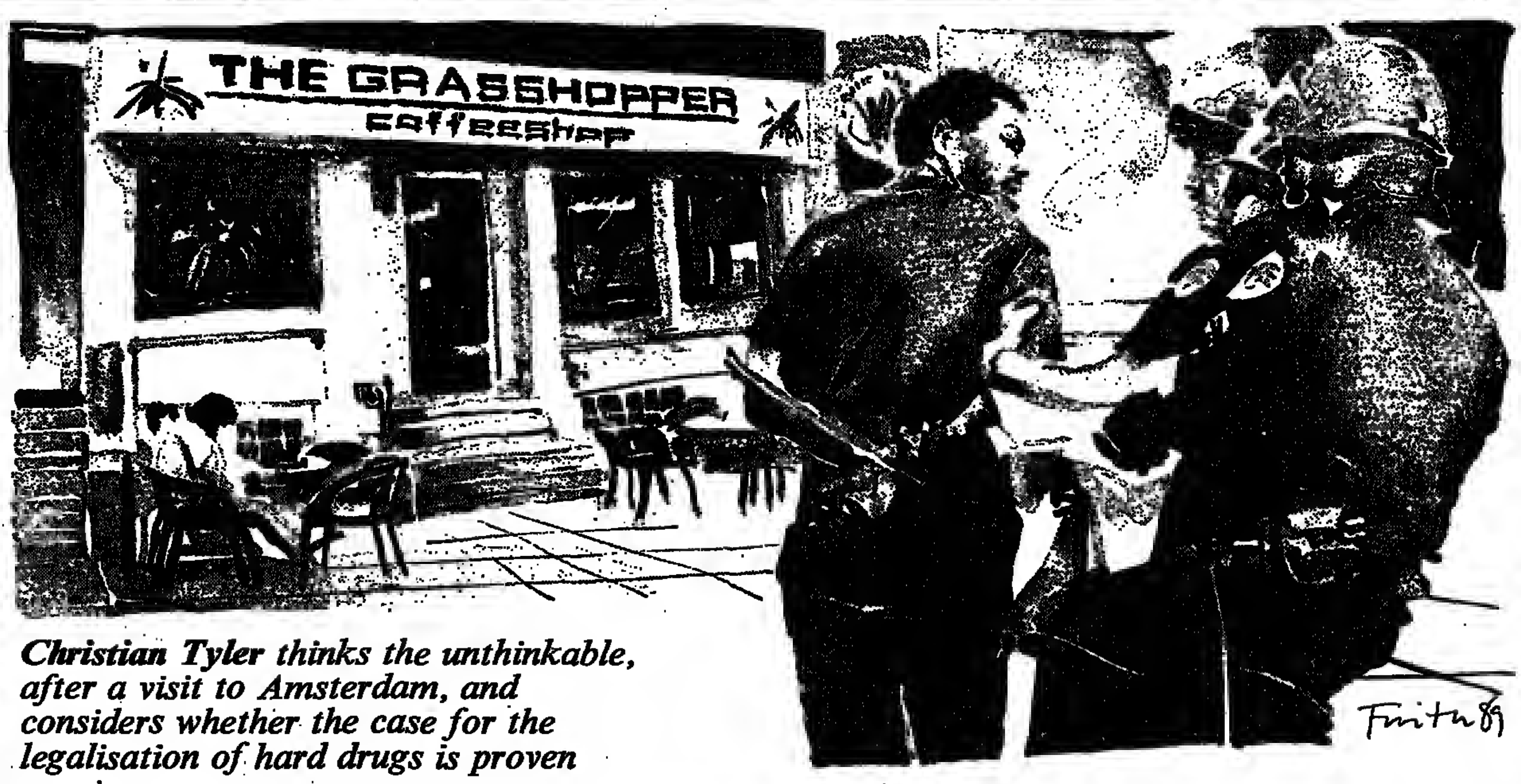
SECTION II

Weekend November 25/November 26, 1989

AMERICA'S WAR against cocaine and the martial rhetoric that goes with it are designed to reassure the public. But it implies a campaign of law enforcement so severe and expensive that free-market economists are arguing for the unthinkable – the legalisation of the production, sale and consumption of hard drugs. The political crisis in Colombia and the "crack" crisis in America's inner cities have between them made the legalisation argument, if not popular, at least respectable.

Opponents call it the "surrender option." As things stand, however, legalisation has one fatal flaw: no government or political party in its right mind would dare advocate it. Even if they did, it would require all countries to act in concert. But supposing legalisation were to become morally acceptable and therefore politically possible, is it the right answer?

The best place to ask the question is Amsterdam, the Venice of the north, former drug capital of Europe, the mecca of hippies, their militant successors the Provos and youth cultures of all shades.



Christian Tyler thinks the unthinkable, after a visit to Amsterdam, and considers whether the case for the legalisation of hard drugs is proven

Should we go Dutch on drugs?

IN AMSTERDAM, there is a discreet difference between a café and a coffee shop, often indicated by the name over the door. The coffee shop usually flaunts a suggestive English name like "Grasshopper," "Paradise" or "High Society." Taped above the bar are packets of cigarette papers. There are Rastafarian posters around the walls, a pair of young immigrants playing table football, more customers lounging at the cheap tables and an all-pervading, acrid haze of marijuana smoke.

The barman, probably from Surinam or the Moluccas, dispenses coffee and half pints of lager. On request, he fetches out a scrawled cardboard menu: for 25 guilders (about £7.50) you can choose between 10 types of the weed in packets of 1.4 to 2.8 grams, according to quality. So long as he does not serve spirits or hard drugs, does not sell cannabis in large quantities, does not advertise and turns away minors, the coffee shop-owner is pretty safe from prosecution.

The theory behind this official permissiveness is that by separating the markets in soft and hard drugs, the youthful dabbler is not led from the former to the latter. He is kept away from the criminal element. "Changing your state of mind is part of adolescence," says Dr Jan Walburg, director of the Jellinekcentrum, Amsterdam's leading clinic for drug addicts. "You want to get drunk and try drugs. So you go to the coffee shop and experience hashish, laugh about it with your friends – and that's it. You don't need to go to dealers who are offering cocaine and heroin." Walburg says legalisation is a "simple solution, like jail. There is always a cry for that."

In spite of the coffee shops, cannabis smoking in Holland has shown no increase since the early Seventies. For example, a school survey at the end of 1988 suggests the number of 10- to 18-year-olds who smoke it regularly is under 2 per cent; the number who have tried it at some time or another is about 6 per cent. The figures for smokers of all ages are predictably higher in Amsterdam (5.5 per cent regulars and 23.6 per cent experimenters) but apparently also are stable.

Coach parties of rubber-neckers meander around Amsterdam's red light district, mesmerised by nearly-naked prostitutes gaudily illuminated in the windows. But their guide steers them away from certain streets, in particular Zeedijk, where the hard drug trade is centred. Despite Zeedijk's reputation, the authorities say there is no such thing as a no-go area in Amsterdam.

Opposite the Weesperplein metro station, two buses have pulled up outside an ugly public building. Like mobile libraries or ice-cream vans, they have just returned to base after their daily run of three stops apiece, each lasting 1¼ hours. They do not distribute books or ice-cream, however, but the heroin substitute methadone and clean hypodermic needles and syringes in exchange for dirty ones.

The most visible part of Amsterdam's cure-or-care system, the buses cope with 700 people a day. Between them, the buses, public clinics and general practitioners see 4,500 of the city's estimated 6,000 heroin addicts a year.

There is an indefinable but unpleasant smell inside the plain brick clinic where a gronp of youngish addicts, black and white, waits jumpily for relief. As the door closes, a bearded young man clamours from the street, in German, to be admitted. He is one of the city's bigger problems: a foreign addict driven to Holland by his own country's more repressive policy.

Because of the coffee shops and the methadone buses, Holland has the international reputation of being soft on drugs, a characterisation denied strenuously by officials. Bnt the spread of AIDS has changed many politicians' minds, and Amsterdam's free needle exchange has begun to look rather sensible.

In Holland, the state treats drug abuse as a health problem first, a criminal justice problem second. The neutral name for the policy is "pragmatic." Whatever you call it, the policy appears to have been remarkably successful in containing the epidemic.

While Britain and the rest of Europe are living in fear that a plague of the cocaine-cocktail "crack" will spread from the saturated North American market, the Dutch authorities say they have every reason not to expect one. They know their addicts, and how conservative they are, and say "crack" has just not caught on.

Drug control policy is no longer a political issue in Holland: it did not figure at all in the last general election. There is a broad consensus (punctuated by the occasional protest), and more discussion of incest than there is of drugs. The social democrats in Amsterdam have included in their manifesto for next year's city council election a call for further steps towards legalisation. But Walter Etty, chairman of the city's drugs co-ordinating committee, said this was largely to register his party's distaste for the American idea of a war on drugs. "It's better to legalise the supply if there is demand – but even better to fight the demand," he said.

Occasionally, the public rises up in protest, as at the border town of Arnhem recently. There, known drug dealers were dragged from their houses by enraged residents and beaten up. The incident was blamed on a "failure of communication" between public and police.

The most persuasive fact is that the number of drug addicts is stable and probably falling, while the age profile of the addicts is rising. What is more, the authorities claim to be in regular contact with about three-quarters of the country's 15,000-20,000 drug addicts (in a population of 14.7m). That means that they know more about their own drug problem and how it might develop than probably any other country.

Considering Holland's reputation, and the fact that it has (in Rotterdam) the largest port in the world and (in Schiphol) one of the busiest international airports, all this is remarkable.

But the Dutch have not legalised drugs, not even cannabis, and they feel no pressure to do so. Holland's answer to the drugs problem is contained in the single word "normalisation." It does not mean drug abuse is regarded as anything but deviant behaviour, but says the problem should be dealt with by society in the same considered way as any other problem, without panic and without hyperbole. It recognises that prohibition and criminal penalties, although necessary, can have damaging side-effects – often worse than the drug abuse itself – and therefore tries to mitigate these effects.

It is an unashamedly ambivalent policy that purists would reject as inconsistent. It distinguishes formally between hard drugs (heroin, cocaine, amphetamines) and soft drugs (mainly cannabis). It punishes drug dealers as harshly as any other country, but treats drug users as victims. At the same time, it maintains that all trafficking and possession are illegal. It is morally ambiguous, perhaps. But it seems to work.

Because they have been able to keep in touch with their addicts, the Dutch know as much as anyone about the psychology of addiction and the sub-culture of the junkie. Their policy is the result of a compromise between public concern and scientific uncertainty. For addiction is not an infection and remains something of a mystery, according to the experts. It is the result of a collision between substance and individual in which the pharmacological effects are not predictable. It might be surprisingly intermittent. Dr Gerrit van Santen, one of the clinic's doctors, said: "With all my experieoce, I cannot recognise an addict from the outside. Addicts vary greatly and the junkie stereotype is not common."

Likewise, experts disagree about the causal link between drugs and crime. The association is certainly very strong: more than half of Holland's (small) jail population is in for drug-related offences. But does the trade in drugs create crime, or is it the other way round, or both? In Holland, most addicts fund their habit quite legally: only about a third of the addiction in Amsterdam, for example, is fed with the proceeds of crime.

Chief Superintendent Leo Zaal, the 33-year-old head of the Amsterdam drug squad, agreed that prohibition attracted organised crime but said the organised crime would not disappear if prohibition were lifted. It would just go somewhere else. "In fact I'm not interested in drugs at all. I'm interested in criminal activities – money laundering, blackmail, fraud, theft and murder."

Again, status and fashion are important factors. Prohibition not only drives prices up, it glamourises the drug and makes it more attractive to the potential addict who might be weak, dissident, neurotic or merely attention-seeking. For this reason, the Dutch are very careful about the propaganda they direct at children. They will not, for instance, let policemen into schools to talk about drugs in case it sets up an attractive link between rule-breaking and drug-taking.

Eddy Engelsman, head of the alcohol, drugs and tobacco branch of the Ministry of Health and a persuasive apologist for the "normalisation" idea, goes so far as to blame politicians and the press for creating the "crack" problem in the US. He thinks legalisation could come one day when it is realised that penal methods do not work. He discusses the problem of hard drugs in the same breath as the problems of drunkenness or pill addiction. "There are thoosands of housewives addicted like zombies and nobody cares," he said. "Alcohol abuse is frightening – look at the statistics – but society doesn't panic; and I am happy about that. But governments must be concerned because of the health costs. We should not be blowing up problems affecting the individual into social problems."

The Dutch claim they have de-glamourised hard drugs. Their present worry is not "crack" but the relatively harmless Ecstasy, an amphetamine-derived pep pill aimed at party-going youths to give them a high and make sex seem more enjoyable. It has reached Holland from Britain where it is popular at Acid House parties, successors of the Sixties' pop festivals. Under pressure from the US, the Dutch have promoted Ecstasy to the "A" list of banned substances. Its price has jumped from 10 or 20 guilders a pill to 40 or 50. Walburg thinks it will be the drug of the Nineties. Is Ecstasy a problem? Yes, because it is hallucinatory, with effects like alcohol, and attractive to the young. "The problem is precisely that it isn't very dangerous", Walburg says.

As the young turn from hard drugs, perhaps frightened by the heroin wrecks they see left over from the junkie culture of past decades, the average age of Amsterdam's addicts has risen to more than 30. They are still to be found in all classes, says van Santen. Middle-class addicts tend to be people with psychological problems while the poor, often immigrant, addicts are adjusted better mentally but alienated or marginalised socially.

Nevertheless, it is one of Holland's boasts that Dutch addicts are among the most presentable anywhere. They are kept going, outwardly no worse off than the average unemployed person, and ready – if finally they can find the motivation – to go in for detoxification. "The Dutch junkie knows what he is doing," said Theo Bot, a public prosecutor attached to the Ministry of Justice, "unlike the foreigner who is eating pills and injecting anything he can get his hands on."

It might be said that Holland is a special case. So it is, in the sense that every country is unique to itself. It could be, as some Dutch officials say, that their choice of policy owes more to luck than to skill. Certainly, Holland is a small and manageable country with a tradition of toleration, respect for civil rights and an extensive welfare state, which all help make its drugs policy workable. It has plenty of immigrants, some of whom are now a problem, bnt not the huge, crime-infested ghettoes of the US. Britain has tended to adopt a double standard, echoing the rhetoric of the Americans while quietly applying Dutch techniques.

In the end, perhaps no country without Holland's special features can import the Dutch solution successfully. Yet Americans and Europeans alike are looking with growing interest at its successful compromise between war and surrender.

The Long View

Seeking order in the market chaos

MY DICTIONARY tells me that "chaos" means a formless void, or a great deep of primordial matter. Is this how we should view the stock market – and could we ever hope to make some money this way?

In the past, analysis of the stock market has been on the basis of linear systems, which depend npon some kind of assumed proportionality. Share prices are reckoned to depend upon certain variables, like earnings or dividends, and to reflect rational behaviour by investors.

Although such methods of analysis have kept the financial boffins going for the best part of 25 years, it is not clear that they have helped anybody to become very rich. Share price movements can be explained in these terms only in retrospect. Future movements cannot be predicted with any significant success. In fact, it has become a widespread view that stock markets essentially are random: hence, the classic comparison with the drunken walk, where it is not possible to predict from the previous step just where the next one will go.

Plainly, this is not a very satisfactory analysis from the practical investor's point of view, except perhaps for those promoting index-tracking funds. Particular problems have been generated by events such as the Black Monday crash of October 1987. That gave all the appearances of being a systemic correction rather than a random event. But conventional theory has not come np with any very convincing explanations.

After rumbling away in the professional press for some time, chaos theory emerged this week into the modest limelight of Barclays de Zoete Wedd Investment Management's annual seminar. Unfortunately, the pair of star academic speakers contributed to the chaos by failing to appear, apparently on the curious ground that they had been treated with disrespect by the *Financial Times*. As if we would do any such thing. Make no mistake, this is a very serious subject.

So how can chaos help? To begin with, there is suspicion about the apparent randomness of share price movements. It is actually rather hard to test for complete randomness, and perhaps all is not quite what it seems. Accordingly, there is a search for models of stock market behaviour which are neither linear nor random but are something in between. They are, in fact, chaotic systems. The differences can be defined in terms of entropy: a static, pre-determined system has an entropy, or E, of zero, but randomness implies infinite entropy. The middle case is a chaotic system which will have positive, but not infinite, entropy.

In nature, chaotic systems are all around us: for instance, in the wind and the streams. Chaos theory was devised to cope with natural phenomena. The eddies and the vortices are not, in detail, predictable, but certain rules of behaviour can be established. There might, say, be rotation around particular centres, and a system might fluctuate between several different states, moving from one to another for no apparent reason.

BARRY RILEY

Analytical methods devised to cope with turbulent natural phenomena are now being used to study the wayward behaviour of stock markets

The natural world might be one thing, but could a study of such transitions prove useful in understanding the behaviour of the stock market? It depends on whether capital markets can be presumed to exhibit deterministic chaos; that is, there might be a hidden order to be discovered. Possibly, too, markets may show deterministic chaos and random chaos at different times. After all, share prices quite often move in orderly trends for extended periods; but there are periods of violent fluctuation, too, and it is about these that we are most anxious to be forewarned.

The starting point of the chaotic interpretation of markets is that their structure is non-linear: in other words, each set of assumptions is consistent with several different solutions, not just one as would be the case for a linear system. This multiplicity produces the appearance of randomness, especially as such systems are often extremely sensitive to tiny differences in the initial conditions.

So far, so discouraging, but mathematicians are trying hard to find some windows that will allow them to peer into the chaos within. One of the more promising is fractal analysis, which is a way of looking at the dimensionality of a system. We all know about two dimensions, and about three. But four gets trickier, and 5.29 is worse still. All the same, the mathematicians argue that study of this kind of F factor, which reflects the number of different market forces that are at work, can be useful. The lower the F, and the higher the E, the more volatile the market.

An interesting possibility is that it might become possible to assess the psychological factors operating on a market as well as fundamentals such as earnings growth. In a way, this could be seen as a means of putting mathematical flesh on the bare bones of chartism, the theory that patterns in price movements can sometimes be repeated and can, therefore, have predictive value.

Attempts have been made to explain such patterns in terms of the interplay of forces of mass psychology, wrapped up in the general description of "sentiment." The trouble is, no convincing scientific evidence exists that chart analysis is profitable consistently, although the art certainly has many faithful adherents.

At any rate, computers in the US – and to an increasing extent in the UK also – are now crunching their way through mountains of historical price and volume data, with their operators hoping that they can find some order in the chaos. Even if they do not manage to model the market's madness, at least they may be able to shed new light on its moods. But, so far, there is more determination than determinism.

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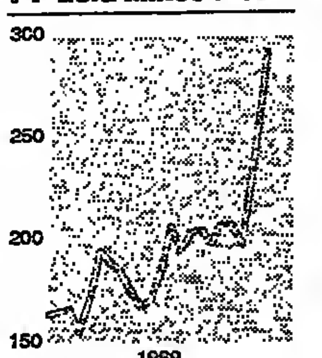
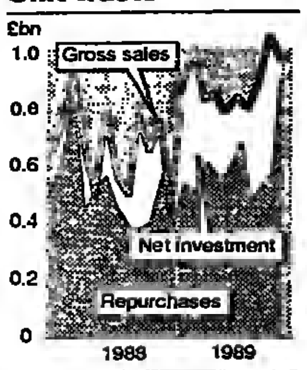
FT Gold Mines Index



Unit trusts



Gold shares lifted by buoyant bullion

Gold shares have been faithfully trecking tha bullion price, which decisivaly broka through tha $400 an ounce barriar on Tuesday and carried on up yastardey to around $417 an ounce, responding to the steap fall by world stock markats in mid-October and to events in Eastern Europe.

The FT Gold Mines Index, comprised entirely of South African gold shares, extended its recent strong run this week, posting good gains for fiva consecutive days end ending the week at its highest leval this yaar. Since reaching a year's low point in February tha index has doubled.

Specialists say that US investors have moved back into gold shares in a big way, causing short-term stock shortages which have in turn given further impetus to rising share prices. The level of damand for gold shares was demonstrated recenily as Hanson easily placad the South African gold share portfolio it inharited in taking over Consolidaled Gold Fields. But analysts are beginning to praach caution on the sector: "They've had a long run up and they are due a breather," said Jon Bergtheil at BZW. *Stephen Thompson*

Unit trust figures bring relief

A huge sigh of reliet came trom tha Unit Trust Association when it added up the sales figures tor October. Nat new investment was still in the black, but only just at £79.3m. The highest monthly repurchase figura sinca October 1987 – ot £877.5m – was just covared by unit eales of £956.8m, the third highest this year. The industry had survived the mini-crash, although the value of funds under management fell by £2.6 bn to £53.4 bn.

However, many unit trust managers are still worried. The individual investor handling his or her own investments is not returning to the unit trust sector in any great numbars. Indeed, in October the number of unitholder accounts turnad down again, dropping by 5,000 to a total ot 4,867,000. With building aociaty ratas at present lavels and stock markets volatile, there is little incentiva to do so. The main buying interest is coming from institutions, auch as lifa companies end pansion tunds end investors operating through professional advisers. *Eric Short*

Templeton plan gets go-ahead

Mambers ol the Time Assurance Friendly Sociaty voted overwhelmingly in favour this week of e plen to be taken ovar by tha Tamplaton fund manegemant group. At a special genaral maeting in Oldham ovar 95 per cent ot the 10,000 mambers who votad backed a resolution proposing that Timn Assurance should be converted into e privata company called Templaton Life Assurence, which will be wholly owned by Tampleton Global Investors. Authority ia now to be sought trom the Department of Trada and Indusiry for the new company to conduct long-term assurance business and it is hoped lo slert business undar tha new sat-up during the first half of 1990. *John Edwards*

Indemnity insurance probe

Fimbra (Tha Financial Intermediaries, Managars end Brokers Regulalory Association) yeslarday announced it had agreed lo sponsor an independent working perty of industry represenlatives to consider the professional indemnity insurance which Fimbra should hold to prolect investors. This lollows tha collapse ol Fimbra's aarlier plan lhat would have lorced all its members to join one specified insurance indemnity scheme. Included on the working party is Andrew Paddick, of lha Institute of Insuranca Brokars, who is leading a campaign lor a vole of no conlidence in the exisling Fimbra chairmen and board to be paased at tha association's annual meeting on Decambar 13. *JE*

LONDON

A crumb of comfort in troubled times

FIRST THOUGHTS, it is said, are often the best. Never has that been more true than for assessments of the London market during the past 12 months.

For, in spite of all the bouts of hype and angst surrounding equities in recent months, it is beginning to look as if a fair nnmber of analysts were remarkably prescient with their end-1989 forecasts when they gazed into their crystal-balls last January.

Then the consensus – in an admittedly wide-ranging set of predictions – seemed to suggest a year-end figure for the FT-SE 100 Share Index of 2,000-2,200. Today, with e month to go, the index stands at 2,222.

A lot, of course, can happen in 24 hours – let alone five weeks. Certainly, there are still pundits who reckon that, given the political and economics uncertainties, Footsie could wave goodbye to 50-100 points in a very short period – which would leave those year-end forecasts looking even more eccurate. There are plenty more who see a slow limp to the year-end, with the interest rate picture static and corporate pressures continuing to mount.

But if the general mood is distinctly unseasonal, et least the past five days have heaped relatively few additional worries on investors' plates. Rather, there has been a modicum of comfort for these tronhled times.

The week, admittedly, started on a weak note, as the hangover from the previous Friday's inflation news continued to hit the pound, bringing knock-on effects for the equity market. Other fectors were cited as compounding the downturn: some bearish selling of Footsie futures, the decline in defence stocks in the wake of the East German developments, and even the thought that challenges might be made for the Tory Party leadership – leaving Footsie more than 38 points lower in thin trading.

The casual relationships between some of those worries and the overall level of the Loodon equity market looked a trifle tenuous. But perhaps the real message was not one of logic, but psychology; in short, nervousness persists to a rare degree.

By Tuesday and Wednesday, the snbject of concern had shifted to the October trade figures, due out on Thursday morning. For once the market need not have worried: the statistics were both better than the City expected, and gave some mild encouragement to suggestions that Britain will be able to export its way out of the present situation.

The current eccount deficit fell to £1.54bn, the third successive monthly reduction, and non-oil export volumes showed a 10 per cent increase in the three months to October, compared with the 8 per cent rise in imports. Tentative progress, indeed. But any absence of bad news can he taken as good news these days.

Nowhere will those figures be more welcomed than among the hosts of edvisers and directors involved in the £5.24bn flotation of the ten water companies, shares in which start trading on December 12. Indeed, some cynics might point to the sometimes timely correlation between better-than-expected official statistics and large privatisation issues.

Be that as it may, the relatively stable conditions meant that there were few surprises when the pricing of the water issne was announced on Wednesday. The common issue price for the stocks is 240p, as widely forecast, and the yields available are only a nndge higher than predicted.

But if that was the good news, the depressing fact for traders was that daily dealing volumes remained painfully thin throughout the week, failing to top 400m shares in four of the five trading sessions according to the Stnck Exchange's Automated Quotations system.

Brokers say this is not an economic level. And, as if it confirms this, yet another firm – Laing & Cruickshank, now owned by Credit Lyonnais – declared that it was pulling out of equity market-making on Friday. Coming on the heels of more extensive cnts by ANZ McCaughan Dyson, it suggests a grim Christmas for et least some City players.

There were signs of desperation around. For two weeks, the tale of an impending Barclay hrothers bid for Williams Holdings has been hawked around national newspapers, until one finally swallowed the story – with the result that Williams shares jumped sharply on Wednesday morning before denials were duly issned. And, amid e further plunge in its share price, the tronhled British & Commonwealth group was obliged to dismiss rumours of a Department of Trade and Industry inquiry – although it did reveal a management reorganisation.

If retrenchment continues, a long, dreary winter is in prospect

Back in the real world, the stream of company results kept coming. There were relatively few upsets among the major stocks reporting: indeed, the likes of Boots, Rothmans, BAA and BAT Industries all reported earnings growth of 15 per cent-plus. Moreover, S.G. Warburg, reaping its £20m-plus fee from the £2hn Isosceles/Gateway bid battle, proved that even parts of the City continue to flourish, with first half profits more than doubled at £102.5m.

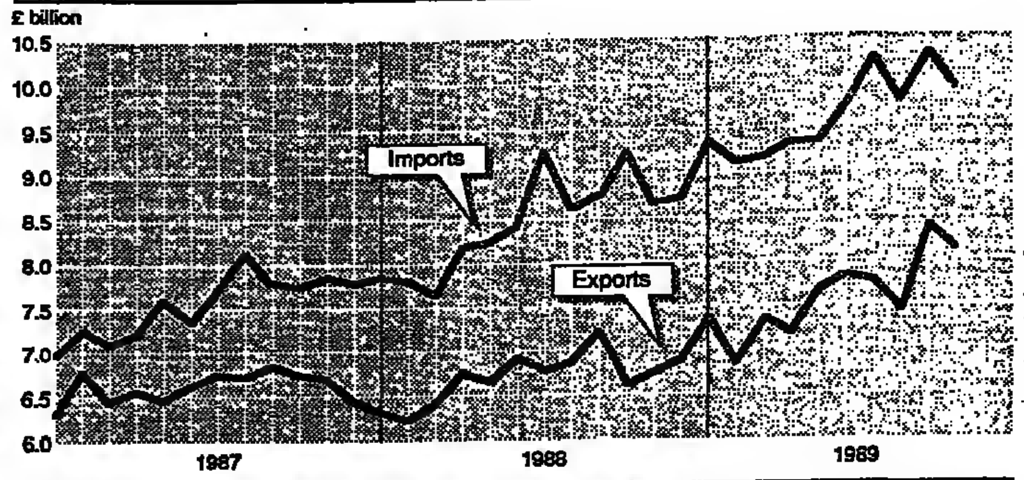
But it is questionable, given short-term accounting leeway, how relevant much of current corporate reporting is. The problem, after all, is not what has happened over the past six or 12 months, but what will be announced a year from now. And, amid the seeping unease, there was one significant profit warning last week – from Tarmac. Its househuilding activities place it at the sharp end of the downturn in consumer spending. Profits this year, said the group, will be down, with the result that analysts sliced forecasts from around £410m-£420m to around £370m.

As for the takeover scene, the usual burst of pre-Christmas activity has yet to appear in any significant fashion. True, hostilities broke out on Monday, when the construction gronp Y.J. Lovell descended on rival Higgs & Hill, and Adia, the Swiss-based group, mede an unwelcomed offer for Hestair, also in the employment agency sector. But cash-rich companies and their edvisers have repeatedly suggested that the sale prices of corporate assets is only just beginning to fall. Many believe potential acquisitions may be cheaper in a few months.

So if both corporate purchasers and investors continue to retrench, a long, dreary winter could be in prospect.

Nikki Tait

UK trade balance



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989 High	1989 Low	
FT-SE 100 Index	2222.4	+1.0	2426.0	1782.8	Trades figures nervousness.
Amstrad	41	-6	193	37½	Slow retail sales/fax machine delay.
BICC	419	-26	561	385	Broker downgrades profits forecast.
Boots	259	-14	322	227	Worries over Ward White.
British Aerospace	518	-20	745	420	Poor outlook for engineers.
British Gas	211	+7½	213½	156½	Expln.& prod. seminar for analysts.
BP	309	+10	325½	249	Sells S.African coal bus.for $225m.
Broad Street	43½	+5½	43½	24½	Possible bid talks.
Capital Radio	903	-100	1135	504	Warning on advertising revenue.
Ferranti	48	-7½	113½	46	Defence spending cuts/bid worries.
Higgs & Hill	404	+99	427	263	Hostile bid from Lovell (Y.J.).
Monotype Corpn.	155	+45	191	95	Agreed bid.
Refuge	677	+40	677	429	Athena increases stake/bid spec.
Tarmac	217	-26	374	209	Profits warning.
UK Paper	331	+45	344	179	Agreed bid from Finnish company.

WALL STREET

Giving thanks for a rally

ACCORDING TO William Lefevre, the veteran stock market analyst at Advest Securities in Hartford, Wall Street has staged a rally every year since World War Two during the two months after the Thanksgiving holiday.

It may be dangerous to draw conclusions from the thin trading of the current Thanksgiving week. Bnt it looks as if a significant year-end rally may already have begun.

The market seems to have shaken nff some of the unhealthy fads and obsessions which started to clond the outlook in the summer and had created ominous conditions hy late September, just before the mini-crash on October 13.

There been signs of a revival of confidence in the cyclically-sensitive industrial, computer and electronics stocks which were aggressively dumped in the antumn sell-off after their brief gains last summer. Meanwhile, the nver-priced consumer stocks, which had levitated all year on the basis of unrealistic profit forecasts and takeover expectations, seemed to be losing popularity.

Thus, in the 17-point rally which pushed the Dow Jones Industrial Average above the psychologically *important* level nf 2650 on Friday last week, the four leading industry gronps were indnstrial conglomerates, compnters, heevy machinery and semicondnctors. The five worst performers were edvertising agencies, airlines, consumer service groups, water companies and bealth care providers.

Ohvlously, e single dey's trading msy is hardly significant. Bnt semiconductor manufacturers and mining companies in particular heve now been prominent among daily gainers for almost two weeks, snggesting at least a sbort-term shift in investor psychology.

Tbere bave, in addition, been quite specific reasons why the semicondnctor and mining gronps as well as the industrial conglomerates have performed particularly well in the last few days. Conglomerates bave taken their cue from Generel Electric, henefiting not only from the massive share repurchase programme announced by GE e week ago but also, indirectly, from the takeover hid for Combustion Engineering hy Enrope's Asea-Brown Boveri.

The ABB takeover focused attention on what ought to be excellent long-term prospects for companies like Combustion Engineering, General Electric, Westingbouse and McDermott International, which will have to satisfy the pent-np demand for US electricity generating *capacity in the decade ahead.*

The strength of the semicondnctor groups was even easier to account for. The semiconductor stocks, many of which had recently plummetted to lows not seen since the 1982 recession, were badly oversold. What really set the industry alight, however, was the revelation that Texas Instruments, the original inventor of the silicon chip, had won a landmark patent case in Japan. In theory, the legal victory could force every company in the Japanese electronics industry to pay TI royalties for up to 20 years to come. In practice, the financial ramifications of the case may be mnch more limited, because TI has already licensed its technology to most of Japan's top semiconductor manufacturers.

The biggest effect of the TI case, like the Combustion Engineering takeover, may have been on the perceptions of investors. Wall Street may gradually be waking up to the fact that industry and technology remain America's main hope for keeping np with Japan and Europe.

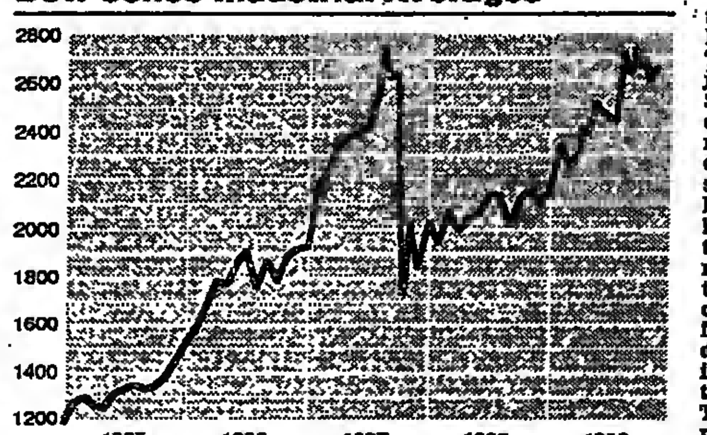
What is more important is that this realisation seems to have spread to Washington. The rally in mining shares, the jump in the gold price above $400 and the sharp fall of the dollar below DM1.80 all reflected this most bullish devetopment of all for the stock market. The Federal Reserve Board is opting for lower interest rates to boost the flagging US economy, regardless of the higher inflation which this will almost certainly imply. For US manufacturing industry, a lower dollar and a somewbat higher inflation rate would provide the ideal policy combination. The cut in the Federal Funds rate on Wednesday was a clear signal that this was the policy mix the central bank had chosen, regardless of all its tough *talk about reducing inflation* to zero within the next few years.

This was good news for the stock market in the shnrt term. Eventually, however, the troubling question which precipitated the 1987 and 1989 market crises will still have to be answered: how long can economic expansion continue befnre inflation begins to accelerate so alarmingly that the Federal Reserve is forced to abandon its pro-growth balancing act?

Monday	2632.04	– 20.62
Tuesday	2639.29	+ 7.25
Wednesday	2656.78	+ 17.49
Thursday	Closed	

Anatole Kaletsky

Dow Jones Industrial Averages



JUNIOR MARKETS

Medirace sets a brisk pace

IT'S A STORY that could form the plot of a television drama. The starting point would be the late 1970s when a group of four scientists working at a London hospital make a breakthrough in understanding cancer and AIDS. It would then skip five years to e time when their research programme risks being stifled hy a shortage of funds.

At this point, e couple of Australian financiers enter the scene and take the company onto the stock market. Then it turns acquisitor and, after a certain amount of intrigue, huys a clutch of other research companies.

This ends in e mega-merger that catapaults its market value to more than £100m. A new pharmaceutical company has been born.

The real-life model for this drama is Medirace, which this week announced an £87m acquisition of Evans Healthcare, a private medicine and veccines company. This deal will allow it to leap-frog from the third market to the hig league.

To some investors, Medirace's swift rise has a slight air of unreality ehont it. They could be put off aspiring medical research companies hy memories of the bad old days of the OTC market when purported medical breakthroughs were used to peddle several ill-starred outfits.

Furthermore, the record of hi-tech start-up companies that started out on the junior markets has been ebysmal. And the volatility nf Medirace's share price might suggest a highly speculative investment.

Since its flotation at £1 in June 1987, the shares have hit e low of 87p and e high of 240p before reaching their present 127p.

In addition, eyebrows were raised when Medirace (rather cheekily) took a 25 per cent stake in another start-up company, ChemEx International, which also is sited in the Cambridge Science Park.

A furious ChemEx responded by sacking the broker, T. C. Coombs, which it shares with Medirace and rebuffing the latter's request for seats on the board. It also pointed out the lack of overlap between its business, which is environmental analysis, and that of Medirace.

David Lees, one of the Australian financiers who steered Medirace onto the market, disagrees and says ChemEx's business has the potential to help Medirace lower overheads and maximise its turnover. Medirace is happy to sit back and wait, although Lees points out that ChemEx is losing money and could eventually need more funds.

Other acquisitions seem to have gone more smoothly. In the past year, Medirace has bought Cambridge Life Sciences and Walker Laboratories, which are developing diagnostic products.

Its ambitious acquisition of Evans apparently was agreed as the company – the subject of a management buy-out from Glaxo in 1986 – suffered from the level of its interest repayments.

Evans makes human vaccines and medicines such as Mycil, Dequacaine and Nylax. The acquisition will alter dramatically the shape of Medirace's business and will help to finance its research activities by generating cash.

Meanwhile, Medirace is continuing with its research into its Contracan treatment, which is intended to correct fatty acid ebnormalities in cell membranes and so reduce the rate of cell division of patients with AIDS and cancer.

Reports on clinical trials with cancer petients suggest that a significant number had no progression in the size of their tumours and, further, that there was e (largely unexplained) reduction of pain.

The company hopes to get a clinical trial exemption certificate early next year. At that point, Medirece could enter talks about licensing the prodnct to larger companies for sale and marketing.

With Medirace moving to a full listing, another medical research company has emerged to fill its place on the third market. This is Biocure Holdings, which this week announced it was raising £2m in a placing on the third market.

This company was formed in 1984 to exploit the finding that certain enzymes influence tissue growth. It reckons that this work could be used on conditions ranging from tendon injuries in horses to arthritis, scarring and cancer.

Biocure helieves that an early source nf income will be from a cosmetic preparation to treat broken nails and promote nail growth. As a result, the company says it is confident it can generate significant income in the coming year.

Aspiring inveators should, however, note the extensive and wide-ranging risks mentioned by the company.

These include problems in identifying the compounds being investigated, rival research being carried out, and disappointing results from clinical trials.

It all goes to show that no-one should put money in a hi-tech start-up unless they are prepared for the possibility that their entire investment might disappear down the laboratory sink.

Vanessa Houlder

Airports and water a tonic mix for granny

WHEN, in pre-regulation days, telephones worked, AT&T – or "Ma Bell" as it was then popularly known – was the ultimate "granny stock." This week the UK has provided grannies, and widows and orphans for that matter, with two alternatives: water and airports.

The generous yields on the shares of the 10 UK water companies to be floated next month, coupled with the well-defined regulatory regime for these privatised utilities, have turned them into what analysts like to describe as "good defensive stocks" – at least for shareholders, if not necessarily for consumers.

Airports, especially those congested ones in the London area, have also provided consumers with increasing grounds for discontent. But when air travellers are delayed they tend to while away the time spending money at airport shops and bars; and that cannot be bad for business.

BAA, the former British Airports Authority, added some gloss to its stock this week hy announcing a 17.7 per cent increase in first-half pre-tax profits from £158m to £186m and, more significantly, a 28.6 per cent increase in its interim dividend, signalling its confidence in the future.

Like water, airports have traditionally been regarded as boring by the City – another reassuring sign for the long-term, cautious, small investor. But, unlike water, they have never slotted readily into a specific stock category. Some regard airports as travel or transport stocks; others as property assets; and an increasing majority as utilities.

Despite this problem of identity, City analysts hroadly agree that airports are more attractive than water as far as utilities go. Rupert Darwell, of Swiss Bank Corporation, says: "Both have high-quality earnings, both are capital intensive and both are loog life assets. But airports are in a growth business."

Ian Wild, of Barclays de Zoete Wedd (BZW), says: "The difference is that you are talking of a growth rate of 1 to 2 per cent e year for water and, according to IATA (the International Air Transport Association), of 7 per cent growth for airline passenger traffic." Even with BAA's more conservative traffic forecasts of yearly passenger traffic growth of between 2.7 and 4.3 per cent at its seven airports, this implies e doubling of passeoger traffic between now and 2005.

'Both have high-quality earnings, both are capital intensive and both are long life assets.'

Unlike the feast-and-famine airline industry, airports are not affected hy drops in an individual airline's passeoger load factor since overall passenger volumes are set to advance above GDP growth. "BAA is locked into e growth market and that's what gives it very good fundamental value," Darwell says.

Jennie Younger, another BZW analyst, adds that BAA is in a strong defensive position because the company is hedged against any UK economic downturn in view of the international nature of the airline business. Moreover, unlike airlines, BAA faces no competition, and Younger believes that earlier speculation that the Monopolies and Mergers Commission wouldintervene in BAA was totally unfounded.

The UK Government appears to have giveo further assurance that it does not intend to split up BAA by confirming it has no plans to abandon its special share in the company, which protects the airport group from bostile takeover.

The indefinite "golden share," coupled with a 15 per cent limit on individual shareholdings, seems to put on ice, for the time being at least, any scope for a hid even though Michael Ashcroft's ADT electronic security and car auction group has accumulated a 6.1 per cent stake in the company.

There are, however, some uncertainties on the horizon. The higgest is the "Stansted effect" which is likely to depress profit growth in 1991-92 because of the cost of building a £390m terminal at Stansted Airport.

The company will face an even more onerous investment before the turn of the century with the construction of another new terminal, either at Heathrow or Stansted, likely to cost as mnch as £1bn. But, as Sir Norman Payne, BAA's chairman, said last week, BAA is e long-term business with long-term investments.

In part to offset the impact of these heavy investment costs, BAA is expanding its property and hotel businesses, which are expected to make growing contributions to overall profits. Bnt Sir Norman emphasises that airports remain the core activity, accounting for 90 per cent of the group's turnover.

An eventual government decision on the controversial issue of Scottish Lowlands airports, giving Glasgow the go-ahead to operate scheduled transatlantic flights, is likely to provide a further fillip for BAA. But, in the longer term, it is expected to look overseas for future major airport growth opportunities. Sir Norman makes no secret that he is eyeing with growing interest the US, the Western world's biggest airline market.

In the meantime, he still has to find a new chief executive for BAA; Sir Norman expects to fill the post early next year. But perhaps the most interesting question of all is who will eventually succeed the veteran head of BAA as chairman.

Paul Betts

FINANCE & THE FAMILY

Spoilt for choice in unit trusts

THE PRIVATE investor who wants to place his money in a Japanese unit trust is spoilt for choice with 70 or so funds to choose from. In fact, the field can be narrowed considerably: only a handful of managers' names stand out as consistently strong performers – Schroder, Kleinwort Benson, GT and Fidelity (for its Special Situations fund), as the accompanying table of those groups with funds over £25m shows.

Schroder's stable of Japanese funds has shown a strong performance over several years. The group's own unit trusts are Schroder Japanese Smaller Companies and Schroder Tokyo, which are both managed from its Tokyo office.

It also runs NM's Japan Smaller Companies unit trust in tandem with its own, and, until September, Schroder managed NM'a Tokyo fund, too.

From May to September, the strongest burst in performance came from the smaller companies and special situations part of the market, giving a boost to those unit trusts which concentrate on these areas.

"The second section has done better than the first in 1989," says Andrew Rose, who works with Schroder'a Japanese fund management team. "This year has been a good one for Japanese unit trusts – all ths main unit trusts have beaten the index, apart from the tracker funds."

The handful of tracker funds (from Morgan Grenfell, James Capel and Royal Life) have only been in existence for a short period and have turned in a less-than-stunning performance so far.

This year Schroder has been *underweight in the financial* sector of the market.

The Schroder Tokyo fund is currently very heavily weighted in the retail sector, as well as investing in the construction sector and trading companies (which had underperformed). Its Smaller Companies fund has concentrated on the retail sector and software companies which have shown high growth.

Kleinwort Benson attribntes its strong performance recently to the fact that it has a low weighting in the financial sector and more emphasis on msdium-sized companies (those with a market capitalisation of about £1bn) in its mainline fund (KB Japan).

"Ws've steered clear of financials because inflationary pressures dictated that interest rates would go up," says Sareth Nainby-Luxmoore, of KB's Far East fund management team.

Peter Pleydell-Bouverie, who manages Fidelity's Japan Special Situation's trust, has recently taken on the management of the group'a Japan fund (which has not performed well over the past five years and was clearly in need of a shake-up).

He says that 1988 was a difficult year to beat the index: "The large capitalisation liquidity drives the market, and for a large slice of last year a lot of the action came from steels and shipbuilding, so unless yon had concentrated on these sectors it would have been hard to beat the index. As a result, any balanced portfolio lagged behind."

Pleydell-Bonverie says he aims to keep the funds fully invested. "The Special Situations fund has done well because a lot of smaller companies which were out of favour last year came back into force this year, and some exciting high-tech companies did particularly well."

The Special Situations fund is the largest Japanese unit trust with over £200m under management and is "more aggressively managed" than Fidelity's Japan trust.

James Dawnay, chairman of Mercury Fund Managers, describes Mercury Japan fund's performance as "bad." Mercury mirrors the index and selects some stocks: it is not an index fund but is caught in the same way. In the last 12 months Tokyo has been an active stock-picker's market".

In future, the Mercury fund will be more actively managed rather than being a passive index-oriented portfolio. Until April, Mercury Japan fund had a Japanese manager, but since then Mercury has appointed a new fund manager. "It needed a new broom – ws don't change fund managers unless we have to," Dawnay says.

It will be interesting to see if Mercury's performance perks up. Obviously, fund performance can fluctuate wildly: in fact, MIM Britannia's Jspan Performance fund was the top performing fund over 10 years (out of eight funds), yet over one year it only ranked 37th out of 64 funds.

Finally, big is not alwaya best: the funds listed in the table are the larger ones, with more than £25m under management. Among the smaller funds,Dunedin Japan Smaller Companies was the top performer over one year, while EFM Smaller Japanese Companies and Perpetual Japanese Growth have also good track records.

Sara Webb

PERFORMANCE OF JAPANESE UNIT TRUSTS

	Fund size £ million	(£'000, offer to bid, net income reinvested) 1 year	2 years	3 years	5 years	10 years
Abbey Japan Trust	£147.9	1,300 (24)	1,631 (30)	1,609 (37)	2,101 (36)	10,001 (6)
Allied Dunbar Japan	£124.7	1,206 (47)	1,468 (39)	1,473 (44)	2,636 (20)	()
Barclays Unicorn Jap & Gen	£104.7	1,125 (61)	1,430 (43)	1,636 (36)	2.631 (22)	()
Baring Japan Growth	£33.8	1.296 (26)	1,570 (25)	1.784 (22)	- (-)	()
Baring Japan Sunrise	£28.5	1.280 (33)	1.456 (41)	1.939 (14)	- (-)	()
Crown Japan	£48.5	1.339 (21)	1.686 (17)	2.329 (3)	- (-)	()
Dimensional Japanese Small-C	£27.5	1.532 (7)	- (-)	- (-)	- ()	()
EFM Tokyo	£82.7	1.202 (49)	1.404 (50)	1.428 (48)	2.150 (35)	11.685 (4)
Fidelity Japan	£97.0	1.223 (43)	1.445 (42)	1.397 (50)	2.261 (34)	- ()
Fidelity Japan Sp Sits	£203.0	1.437 (12)	1.864 (8)	2.606 (1)	3.695 (6)	()
Framlington Jap & Gen	£43.2	1.381 (18)	1.835 (10)	1.906 (16)	3.060 (13)	- ()
Gartmore Japan	£31.4	1.301 (23)	1.562 (26)	1.345 (55)	2.423 (29)	()
GT Japan & Gen	£104.7	1.435 (13)	1.760 (12)	1.855 (18)	2.936 (14)	11.940 (3)
Henderson Japan	£119.2	1.224 (42)	1.418 (47)	1.379 (52)	2.806 (16)	11.031 (5)
Henderson Japan Spec. Sits.	£43.6	1.166 (55)	1.335 (57)	1.346 (54)	2.633 (21)	()
Kleinwort Ben Japan Special	£27.8	1.472 (10)	1.979 (5)	2,118 (8)	3,909 (5)	()
Kleinwort Ben Japan	£95.7	1.564 (5)	2.067 (2)	2.060 (10)	3.603 (7)	()
Mercury Japan	£65.2	1.096 (64)	1.153 (60)	1.151 (58)	2.369 (32)	()
Midland Japan Growth	£62.9	1.298 (25)	1.493 (37)	1.460 (45)	2.578 (24)	12,169 (2)
MIM Britannia Japan Perf	£165.2	1.244 (37)	1,746 (14)	1,753 (25)	3,191 (11)	13,938 (1)
MIM Britannia Jpan Sm Co's	£42.0	1.533 (6)	2.130 (1)	2.366 (2)	2.859 (17)	- ()
NM Japanese Smllr Cos	£68.6	1.618 (3)	2.083 (3)	2,243 (4)	4,938 (1)	- ()
NM Schroder Tokyo	£64.5	1,403 (15)	1.826 (11)	2.166 (7)	3,964 (4)	- ()
S & P Japan Growth	£130.4	1.205 (48)	1.403 (51)	1.451 (46)	2.603 (23)	9.950 ()
S & P Japan Sm. Cos	£37.0	1.463 (11)	1.557 (27)	1.725 (28)	2.387 (31)	- ()
Schroder Japanese Smllr Cos	£41.8	1.578 (4)	1.986 (4)	2.191 (5)	4.823 (2)	- ()
Schroder Tokyo	£32.0	1.411 (14)	1.840 (9)	2,181 (8)	3.992. (3)	- ()
Scottish Equitable Japan	£90.4	1.220 (44)	1.509 (32)	1.520 (42)	- (-)	- ()
Scottish Mutual Japanese	£50.5	1.153 (58)	1.406 (49)	- (-)	- (-)	()
Sun Life Japan Gth	£43.0	1.236 (39)	1.596 (24)	1.908 (15)	- (-)	()
Wardley Japan	£31.0	1.234 (40)	1.600 (23)	1.901 (17)	3.584 (8)	- ()
Averages/Total Funds	£40.8	1.304 (64)	1.581 (60)	1.733 (58)	2.953 (37)	11.278 (8)
FTA World Index Japan £	-	1.209 ()	1.522 (-)	- (-)	- ()	()
Tokyo New S E Index	-	1.249 ()	1.442 ()	1.913 ()	3.130 ()	5.997 ()

Source: Finstat

In keeping with the Japanese flavour to *Weekend FT* this week, our Tokyo office looks at the long-term prospects for the Tokyo stock market, while our Finance and the Family staff reviews what UK fund managers think about investment opportunities in Japan

Opinion is divided on market prospects in the 1990s

Same again for Tokyo?

The Tokyo market: Crush for shares and rush for profits

INVESTING in the Tokyo stock market over the past few years has been a little like mountaineering. Each move forward looks simple until you see at what great heights it is being accomplished. Then vertigo sets in.

A British Investor who bought a bundle of shares of leading Japanese companies on January 1 1980 would now be sitting on a profit of 456 per cent in terms of yen and 1,089 per cent in sterling terms.

The question at the end of the 1980s is whether the next decade can bring anything like the same returns.

Opinion among analysts in Tokyo is divided. Even the bulls are loathe to predict results quite as good as the 1980s – they suggest looking to developing countries for a repeat performance, although the risks in such markets can be as spectacular as ths rewards. But there is solid support for the argument that Tokyo may continue to out-perform New York and London.

Nomura Secnrities, the world's largest stockbroker, has been bold enough to put its name to specific numbers. It says that, by the end of 1995, the Nikkei Index of leading shares should reach at least 63,700 and could hit 81,700.

These predicted figures seem colossal in relation to yesterday's closing price of 36,494. A forecast in the middle of Nomura's range implies an average annual rate of ascent of 15 per cent, which is high for blue-chip investments in any country. However, it is less than the Nikkei's rate of increase for the three years to 1988, when the Nikkei index soared by an average of 33 per cent. Even this year, when Tokyo has been dull in comparison with other markets, the Nikkei has managed to climb 17 per cent – and there is still a month to go.

Nomura's starting point is a solid economic forecast which predicts that the Japanese economy should grow hy 4 per cent a year in 1990-95 after averaging 4.2 per cent in the 1980s.

The driving force in the economy will be domestic demand – not exports, which will continue to grow but not as fast as imports, in line with ths Japanese Government's plans to ease trade tension.

These are hardly outrageously optimistic assertions. Nevertheless, the cumulative effect will be to push the average disposahle income from Y6.2m (£27,700) last year to Y8.3m (£37,000) and average personal financial assets from Y6.5m to Y10.33m. In nther words, there will continue to be plenty of funds available for investment on the stock market, *even though* the savings ratio – the proportion of income saved by the average family – is expected to fall slightly from 15.4 per cent to 13.9 per cent.

Japanese companies should be well placed to take advantage of this growth. They are hursting with ideas in technology, marketing and production skills. Japanese are becoming increasingly sophisticated buyers of consumer goods, creating ever-new opportunities for industry.

One of the most popular ways of explaining the performance of the Tokyo stock market in the 1980s has been to point to the huge pool of money availahle for investment.

At the end of last year, according to the Bank of Japan, private Japanese individuals had just 22 per cent of their financial assets in securities against 29 per cent for Americans. Financial institutions are limited to keeping at least 50 per cent of their assets in low-risk investments such as government honds, hnt many stay well above the border line. So there is still great scope for Japanese investors to increase their stock market investments.

According to Nomura, from 1982 to 1988 the rise in share prices closely matched large increases in the supply of money and a decline in long-term interest rates. Moreover, the increases in share prices were matched by equally-spectacular leaps in the value of land, particularly in Tokyo.

In other words, when financial conditions were *right* – chiefly when interest rates were falling – money poured into equities and land.

It is a mistake to rely too much on this wall-of-money argument, however. When conditions are unfavourable, money finds a rapid way of finding alternative homes. This year, long-term interest rates have risen – although not nearly as much as short-term rates – and the speed of money snpply growth has eased. The yen has weakened. Lo and behold, Japanese investors have been more interested in foreign markets then in Tokyo. The 17 per cent increase in the Nikkei index this year has looked dull in comparison with London and New York.

It seems more than likely that Japanese investors, who are much more ontward looking than 10 years ago, will be increasingly keen to invest abroad, so even if they invest more in equities than in the past, more of those equities could be American.

The point is that, even if the Japanese economy continues to grow faster than other countries', and even if Japanese investors have other funds available, they may go elsewhere. Neither can wholly explain why the Tokyo stock market has been so strong in the 1980s or why it should be strong in the 1990s.

This consideration has lead to the conclusion that perhaps the sudden rise in Japanese asset values – land as well as stocks – in the 1980s is a one-off phenomenon to be followed hy more moderate increases in future.

Andrew Smithers, of Warhurg Securities, thinks so. In a special report, entitled *"Return to Normality"*, he claims that Tokyo's exceptional gains in the last decade was due mainly to Japan's shift from heing a capital importer to exporter in the early 1980s.

However, capital importers have to offer international investors above-average yields in order to compensate them for the risk of investing overseas. Capital exporters can live with lower domestic yields since the risks are reversed.

So Smithers argues that, instead of gaining 21.2 per cent a year as in the 1980s, returns in the Japanese equity market in future could be 8 to 11 per cent a year, if interest rates stay at current levels.

Stefan Wagstyl

FINANCE & THE FAMILY

The Week Ahead

Hanson hopes for £1bn

HANSON, the UK's most famous predatory conglomerate and owner of Consolidated Gold Fields following a £3.5bn bid last summer, is expected by analysts to top the £1bn pre-tax profits mark for the first time *when the group – chaired by* Lord Hanson – reports full-year figures on Wednesday. Estimates range around the £1.03bn to £1.05bn level.

However, attention is likely to focus on the Gold Fields assets, with analysts attempting to glean more information about the timetable for further *disposals* and, *given the fluc*tuating gold price, profit potential.

The Henson disposal machine has already swung into action, with the two asset sales announced this week bringing proceeds from the Gold Fields sales so far to over £1bn.

The long series of markedly higher results from property companies will continue when MEPC, the second largest of the UK property groups, announces a rise in its net asset value to around 880p a share from 727p. Pre-tax profits could rise 25 per cent from the £104.8m recorded in the year to September 1988.

With a wide portfolio and an extensive development programme MEPC has been in a good position to benefit from the rise in commercial property values. Returns might be starting to slip now and property companies shares are on a sharp discount to net asset value but MEPC has the protection of 20 per cent of its portfolio overseas.

Bass, the UK's biggest brewer, is expected to report full year pre-tax profits of £580m on Wednesday, boosted by around £90m of property disposals and an extra week's trading, worth soma £15m. After the strong, benchmark performance set by Whitbread earlier this week, analysts are looking for a 22 per cent increase in trading profits.

Pubs and brewing are expected to contribute £350m, reflecting the benefits not only of a hot summer but also of heavy advertising.

Allied-Lyons reports interim figures on *Tuesday and ana*lysts expect six month pre-tax profits of £260m compared with £229m last time. City interest is likely to focus on the outcome of the group's strategy review for its food division in the light of last week's £208m offer for Dunkin' Donuts, the US coffee and doughnut chain.

A sweet profits improvement of nearly 60 per cent is expected to come from Tate & Lyle, the sweeteners group, when it

Lord Hanson

announces its full-year results on Wednesday.

Pre-tax profit is expected to rise from £120m to about £190m for the 12 months to September 30, fed by acquisitions. The most significant will be the first full-year contribntion from Staley Continental, tha US corn syrop subsidiary. Other purchases being digested are Amstar, the US cane sugar company, and the increased stake in CST, the European starch and sweeteners concern.

The worry in all this is gearing, which is thought to have peaked at more than 200 per cent after the purchase of the part of Redpath, in Canada, that Tate did not own. News of the imminent sale of that subsidiary's automotive parts business would be welcome.

The Royal Bank of Scotland *is due to report its latest full* year figures next Thursday. The Royal will have to follow the other clearing banks in making heavy provision for Third World debt and this is likely to leave its profits unchanged around last year's £309m mark.

Half-year results from BPB Industries due on Thursday should provide further evidence of how the sharp fall in UK house building has hit building material companies. Analysts are forecasting pre-tax profits of between £75m to £85m compared with £104.1m this time last year for Europe's biggest plasterboard manufacturer.

The fall in UK residential repair, maintenance and improvement work has probably been more damaging to plasterboard sales than has the fall in new housebuilding. BPB is also facing its first real competition for years in the UK market. Knauf of West Germany and Redland of the UK *in joint venture with CSR of* Australia will have won market share this year. The difference between half year forecasts for BPB is due to uncertainty over how mnch redundancy costs may have diminished profits.

Vosper Thorneycroft, the warship builder, announces *interim results on Wednesday* with analysts expecting pre-tax profits of about £5m compared with £4.3m last time. The group, which specialises in the construction of minesweepers, has built up its order book to abont £500m and contracts stretch well into the future.

Wednesday's rasults announcement will be watched closely for news of a £250m order for two or three large Corvettes from the Sultanate of Brunei, for which Vosper is competing with Swan Hunter.

Siebe, one of the world's largest manufacturers of controls equipment, is expected to show a continuation of its steady profits growth in interim results announced on Wednasday. The market is expecting pre-tax figures of about £80m, compared with £67.6m last time.

The group's wide geographical spread, with the bulk of turnover coming from outside the UK, should have provided protection against the slowing UK economy, as should its high replacement content. But analysts will be watching to see tha extent of the downturn in demand for controls from customers in the white goods and automobile sectors.

Results from two food retailers this week should demonstrate again that this is tha most resilient area of retailing. Argyll, announcing interims for the six months to end-September, has now hroken the back of its programme to convert its Presto stores to the Safeway format it acquired in early 1987, and the exceptional costs involved are falling. The shares have been weak lately *as analysts have raised doubts* over whether the conversion plan is working in Scotland and the north-east of England. The company will hope to quash these rumours on Tuesday, when it is expected to show profits after exceptionals up more than 30 per cent to around £112m.

Kwik Save is the other food retailer reporting, with results for the year to end August due on Wednesday.

After first half results showed a surprising one-third increase, inclnding volume gains of 12 per cent in its like-for-like stores, analysts are expecting a similarly strong performance in the second half. Forecasts are for pre-tax profits of up to £74m, up from £55.2m.

Equitable cuts unit charge

IT IS A RARE thing for a management group to reduce the initial charge on its unit trusts – but Equitable Life Assurance has done just that.

Last year, Equitable raised its initial charge to 6 per cent in line with a general market trend. But from Monday of this week, the charge on all its nine unit trusts, together with e unit trust PEP and including overseas-based funds, went back to 5 per cent.

This reduction has even more significance because other costs, such as audit and trustees' fees. are still paid out of the manager's charges and not from the funds, as some groups do. In addition, Equitable is keeping its annual management fee at 0.5 per cent at a time when 1.5 per cent has become the norm.

Equitable is one of the few life companies that does not pay commission to third parties. Its business comes from its own direct sales staff who get salaries plus bonuses based on the business they transact.

As a result, its costs for obtaining business are one of the lowest in the life assurance field.

A recent review of its operating costs for unit trusts has shown a similar pattern. Equitable has found it can still sell unit trusts profitably with 5 per cent initial and 0.5 per cent annual management charges.

Shaun Kinnis, the marketing director, is adamant that with-profit policyholders will not be subsidising unit trust sales, and that the cut to charges will not mean a reduction in investment resources.

He is confident Equitable can sustain its good track performance record: the Micropal survey placed it third of 94 groups over the period September 1987 to September 1989.

Eric Short

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Coates Bros.	470*	483	477	301.55	Orkem
Hestair	282*§	298	225	165.3	Adia
Higgs & Hill	407	403	302	137.8	Lovell (Y.J.)
Highland Picpnls.	200*	185	155	72.60	Cornwall Tst.
ITL Info. Tech.‡	44	44	25	13.65	Apricot Comp.
Jaguar	850*	832	747	1.6bn	Ford
Monotype	150*	155	110	32.0	Pointplus
Pearl Group	690*§	690	552	1.24bn	AMP
Rothmans Intl.	580♣§	651	638	1.3bn	Richemont
Toothill (R.W.)‡	675*	665	460	4.72	Adamus Inds.
Transrap	63	58	53	8.51	Sidlaw
UK Paper	330*	331	295	263.1	Metsa-Serla
Wade Potteries	180§	158	123	18.41	Beauford

*All cash offer. ††Cash alternative. ‡Partial bid. §For capital not already held. ‡‡Unconditional. **Based on 2.30pm prices 24/11/89. †At suspension. §§Shares and cash.

♣In unlisted loan notes, maturing in 1994, in Rothmans Tobacco (Holdings).

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Bass	Wednesday	5.4	18.1	7.0
Bett Brothers	Monday	1.4	2.45	1.65
Bennett and Fountain Group	Tuesday	1.2	0.7	1.32
Circaprint Holdings	Tuesday	-	2.4	-
Dundee & London Inv.Trust	Wednesday	2.9	5.9	3.4
Hanson	Wednesday	1.8	5.0	2.5
Kwik Save Group	Wednesday	2.4	5.4	3.2
Leeds Group	Tuesday	2.7	5.3	2.7
Lyons Irish Holdings §§	Thursday	3.5	6.5	3.8
MEPC	Thursday	3.5	11.0	4.75
Multitrust	Wednesday	-	1.0	0.5
Parkway Group	Wednesday	1.0	3.0	1.25
Perpetual	Wednesday	0.80	2.50	0.80
Radio City(Sound of Mersey.)	*Tuesday*	-	6.0	3.0
Royal Bank of Scotland	Thursday	5.3	9.7	6.0
SAC International	Tuesday	1.5	2.5	1.5
Sanderson Electronics	Tuesday	1.40	3.0	2.10
Tate and Lyle	Wednesday	2.50	19.5	2.50
Young H Holdings	Tuesday	1.4	4.0	2.0
INTERIM DIVIDENDS				
Allen	Wednesday	-	6.0	-
Argyll Group	Tuesday	2.1	4.1	-
BPB Industries	Thursday	3.75	7.0	-
Castings	Thursday	1.75	4.35	-
Chamberlain and Hill	Monday	2.5	0.6	-
Dawson International	Wednesday	2.85	5.95	-
Caledonian Investments	Thursday	3.5	6.5	-
Chemoxy International	Tuesday	2.8	6.2	-
Chloride Group	Friday	0.55	0.55	-
Elga Group	Tuesday	0.4	1.1	-
Erskine House Group	Thursday	1.9	4.35	-
FKI	Wednesday	1.0	3.5	-
Foster John and Son	Wednesday	1.75	3.75	-
Hambros	Tuesday	3.3	5.7	-
Hewetson	Monday	1.25	2.6	-
Jarvis Porter	Thursday	1.4	2.6	-
JMD Group	Monday	-	3.0	-
Mansfield Brewery	Thursday	6.75	2.25	-
Merrydown Wine	Monday	1.0	3.5	-
Monks Investment Trust	Tuesday	1.5	3.0	-
Mountview Estates	Friday	2.0	7.5	-
NEC Corporation ♣	Tuesday	4.5	4.5	-
NSM	Tuesday	-	3.0	-
Osborne and Little	Thursday	2.0	3.8	-
Penny and Giles International	Thursday	1.05	2.45	-
Property Partnerships	Monday	2.0	3.5	-
Porter Chadburn	Thursday	0.6	1.2	-
Reliance Security	Friday	1.5	4.25	-
Rolfe & Nolan Computer	Thursday	2.1	3.5	-
Scapa Group	Thursday	2.54	6.23	-
Select Appointments	Wednesday	1.2	2.3	-
Shanks and McEwan Group	Tuesday	7.0	12	-
Siebe	Thursday	3.375	8.0	-
Stoddard Sekers International	Thursday	0.55	1.95	-
Tex Holdings	Monday	2.5	7.5	-
Trimoco Finance	Wednesday	0.6	0.8	-
United Industries	Thursday	1.2	1.8	-
Vosper Thornycroft	Wednesday	2.75	5.75	-
Verson International	Tuesday	0.175	0.4	-
Vibroplant	Monday	1.02	1.98	-
Wardell Roberts	Monday	1.4	1.0	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue ♣ Japanese Yen.§§ Irish punts.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Anglo Irish Bk	Sept	8,700	(2,230)	5.65	(3.4)	3.2	(3.2)
Apollo Metals	Sept	1,530	(927)	3.90	(2.70)	1.33	(-)
Blenheim Exhbns.	Aug	9,600	(4,100)	15.2	(9.10)	9.0	(5.6)
Control Technqs.	Sept	4,420	(2,690)	16.6	(13.0)	3.7	(3.0)
Capital Radio	Sept	15,040	(9,283)	62.1	(37.2)	12.0	(7.0)
Caspen Oil	July	2,260 L	(3,030 L)	-	(-)	-	(-)
Diploma	Sept	19,500	(19,300)	22.3	(20.7)	8.25	(5.5)
F & C Eurotrust‡	Sept	415	(321)	2.8	(2.66)	2.16	(2.0)
Fulcrum Inv.Tst◆	Oct	339	(311)	42.1	(41.9)	5.26	(4.4)
Int. Media	April	564 L	(182)	-	(-)	-	(-)
London&Overseas†	Sept	742	(335)	0.07	(0.19)	0.8	(-)
Morland	Sept	8,620	(6,190)	63.4	(58.6)	7.1	(6.25)
Narborough Plant	June	359	(308)	1.99	(1.73)	1.5	(1.3)
Radio Clyde	Sept	1,950	(1,520)	20.4	(16.8)	7.5	(5.75)
Roxeburgh	June	36,000	(30,390)	36.0	(45.5)	2.0	(1.6)
Scottish Inv.Tst	Oct	13,340	(11,600)	3.7	(3.17)	2.53	(2.2)
Scottish Nat.☆	Sept	13,530	(12,440)	7.39	(6.75)	2.6	(2.4)
Shani Group	July	2,510	(2,220)	11.3	(10.4)	2.4	(1.8)
Sidlaw Group	Sept	7,100	(6,160)	17.4	(14.1)	4.7	(4.25)
Stratagem Group	Aug	1,310	(603)	26.2	(11.7)	3.5	(3.0)
Ranks Hovis	Sept	176,500	(156,000)	34.4	(30.5)	8.92	(7.43)
Tubular Exhbn.	July	1,020	(1,030)☆	1.61	(1.61)	0.5	(0.4)
Wyndham Group	Sept	1,450	(585)	20.0	(14.7)	4.50	(3.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Alan Paul	Sept	510	(324)	0.9	(-)
Amber Ind. Holdings	Sept	984	(706)	4.4	(3.75)
BAA	Sept	186,000	(158,000)	4.5	(3.5)
Babcock Int.	Sept	20,000	(18,010)	1.2	(-)
BAT Industries *	Sept	448,000	(370,247)	10.3	(7.6)
Bardon Group	Sept	9,560	(8,385)	0.96	(0.82)
Benetton	July	939 L	(628 L)	-	(-)
BET	Sept	144,800	(120,200)	4.0	(3.5)
Bezbuild Develop.	Sept	129	(85)	-	(-)
Black Arrow Group	Sept	1,730	(1,885)	1.0	(1.0)
Boots	Sept	159,900	(132,148)	3.85	(3.5)
Broad Street Group	Sept	1,370	(1,053)	0.65	(0.6)
AF Bulgin	July	227	(442)	-	(-)
Cable & Wireless	Sept	241,000	(197,540)	3.1	(2.82)
Calor Group	Sept	8,000	(11,600)	6.0	(6.0)
Chancery	Sept	3,860	(2,902)	3.1	(2.5)
Chemical Methods As†	June	577 L	(1,220)	-	(-)
Christie Group	June	608	(2,660)	1.4	(1.4)
City of London PR	Sept	470	(376)	0.95	(0.75)
CML Microsystems	Sept	1,880	(1,490)	-	(-)
Cosalt	Sept	5,040	(3,170)	6.0	(4.5)
Courtaulds	June	85,600	(98,100)	3.1	(2.8)
Edbro	*June*	2,000	(1,500)	3.0	(3.0)
EMAP	Sept	13,370	(11,235)	1.72	(1.43)
Gibbon Lyons Group	Sept	702	(482)	1.9	(1.7)
A.Goldberg	Sept	4,580 L	(344)	-	1.45
Govett American†	Sept	5,560	(4,110)	-	(-)
Grampian Television	Aug	1,050	(581)	0.7	(0.60
Hartwell	Aug	5,310	(5,270)	1.0	(1.0)
Hogg Robinson	Sept	6,600	(9,500)	2.0	(2.0)
IWP International	Sept	4,500	(3,520)	2.5	(1.5)
KCA Drilling	June	1,570	(1,690)	-	(-)
Kewill Systems	Sept	1,130	(729)	-	(-)
Marston Thompson	Sept	9,040	(7,690)	1.11	(0.94)
Normans Group	Sept	1,980	(2,130)	1.1	(1,05)
Personal Assets Tst◆	Oct	111	(160)	-	(-)
Powell Duffryn	Sept	13,220	(13,520)	6.6	(6.0)
Readicut Int.	Sept	6,500	(6,700)	0.63	(0.57)
Reflex Investments	Oct	1,020	(429)	0.66	(0.45)
Rexmore	Sept	503	(846)	0.7	(0.7)
Rothmans Int.	Sept	189,100	(155,766)	6.2	(3.5)
Scantronic Holdings	Sept	3,1000	(1,430)	0.71	(0.55)
Sedgwick Group *	Sept	75,300	(70,800)	-	(-)
Stirling Group	Sept	1,610	(1,560)	0.5	(0.5)
TR Property◆	Sept	3,490	(2,280)	0.6	(0.35)
Vinten Group	Sept	1,770	(1,460)	1.45	(1.45)
Volex Group	Sept	4,260	(4,030)	6.5	(6.0)
Waddington (John)	Sept	9.040	(9,200)	3.6	(3.4)
Walker & Staff	Sept	191	(436)	-	(-)
Wilshaw	Sept	909	(701)	0.1	(-)
Warburg	June	102,500	(47,800)	4.5	(3.7)
SW Wood	Sept	1,920 L	(792)	-	(2.0)
Young & Co's Brewery	Sept	2,600	(2,420)	5.5	(4.7)
Whitbread	Aug	128,500	(11,514)	3.8	(3.25)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss ‡ Net Asset. *Third quarter. ◆ Net revenue. †USA dollars. Irish punts.
☆ Previous 15 month period.

RIGHTS ISSUES

Amarcour Energy is to raise £395,000 via a rights issue of 19.74m new ordinary shares.
Andaman Resources is to raise £968,000 via a 2-for-3 rights issue at 50p per share.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Biocure Holdings is to join 3rd market in a placing to raise £2m. Micklegate Group is to join the USM via a placing of 4.4m shares at 75p each to raise £14.5m.

FINANCE & THE FAMILY

Working 'toys' for the hyper-rich boys

IT CAN BE difficult choosing a Christmas present for the hyper-rich investor who has squandered his money already on a variety of electronic gadgetry.

For someone who wants up-to-the-minute information about his shares, there is a screen service run by the London Stock Exchange called Market Eye. This was launched (soma might say inauspiciously) aoon after the 1987 stock market collapse.

You can set up to 220 high/low mid-prices for any share shown on the service. Then, when the price passes through the specified threshold, an alarm goes off and the share name is highlighted on the screen. You can also programme the pages so they display the latest price movemants in your own share portfolio.

Market Eye is a real-time price information service, showing the mid-prices and best bid and ask prices for more than 2,500 UK shares as well as providing information about which shares have been suspended.

The gilts service shows prices at the previous day's close as well as present prices. Investors can also call up exchange rates (with the previous close and latest price) and indices such as the FT-SE 100, FT 30, FT 500, FT All-Share, Dow Jones, Nikkei and Hang Seng.

Market Eye carries prices for about 300 international securities which are traded in London, and shows the best bid and ask prices from the previous day's close together with latest best quotations. Other pages include the 18 best and worst performers of the day, and the exchange is considering expanding the service to include traded options.

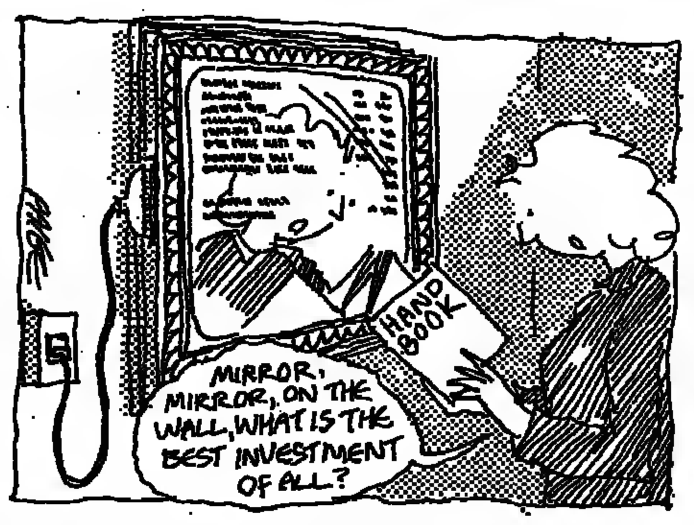
The annual rental and service charge for a Market Eye terminal is £1,891.50, or you can buy a stand-alone terminal for £1,144.25 (you then have to pay an annual service and information charge of £914.25). Alternatively, if you have your own IBM personal computer, the Stock Exchange can supply a decoder for £736. The annual service and information charge on top of that is £914.25.

So far, the exchange has sold or rented about 2,000 sets to private and professional investors as well as to share-dealing services. And it has just installed Market Eye in the British Airways executive lounges at Heathrow, Glasgow, Edinburgh, Newcastle, Belfast, Manchester, and Birmingham.

■ DO you need to track down press clippings quickly and often for your job? Profile is an electronic information service, owned by the Financial Times. You can trace information from a wide variety of sources including the FT, The Economist, Business Week, Mintel Market Research reports, McCarthy Information (which monitors the international press and publishes company fact sheets), Jordans company reports, the Asahi News Service, Associated Press, the Dow Jones News Database, The Guardian, The Independent, the Daily and Sunday Telegraphs, The Times and Sunday Times, Today, the Washington Post, Tass and the New Scientist.

You can also call up today's FT from midnight (allowing you to read the paper before you go to bed rather than when you wake up). So, using Profile, customers in the Far East can read the FT on the morning of publication while those in the US can read it the previous evening. Or, if you want to see what the FT has written about a particular company every day, you can arrange for the relevant articles to be sent to your own electronic box each morning.

To use Profile, you need an IBM-compatible personal computer, a modem, communications software and (optional) a printer. You can search the files in a few seconds using a keyword to trace articles on a particular topic, and then you either print them out at home or have them printed and sent to you.



It costs £150 to register and learn how to use the system. After that, you pay according to how much you use the service. It costs £1 for every minute you are connected and then you pay for the number of lines you call up on display – which would be about 70p for the average article displayed, but considerably more if you wanted to call up everything published on, say, eastern Europe in the past month.

■ FOR the real forward-planners, here's a Christmas present that won't be ready until the year 2000: a hogshead of malt whisky. The Aberlour Glenlivet Distillery Company (part of Campbell Distillers, the UK subsidiary of Pernod Ricard) is offering a limited number of hogshead casks for £1,350.

Aberlour claims that if you invest in a cask of Aberlour today, "you will have acquired the contents of a hogshead to be specially bottled in time for Hogmanay 1999 (New Year's eve in Scotland). You will then receive 360 bottles of 10-year-old Aberlour to celebrate the millennium."

Aberlour points out that its 10-year-old whisky sells for about £16 a bottle, whereas buying a hogshead now (for consumption 10 years hence) works out at £3.75 a bottle.

In fact, this is not really an investment, because it would be difficult to sell 360 single bottles of malt whisky and the distillers are not likely to be interested in buying it back off you. But it could solve your Christmas present dilemma in the year 2000 if your friends and business contacts add up to 360.

The offer is open to syndicates of up to five people (paying £270 each). Duty, shipping and VAT are payable on delivery. And the first 200 people to sign up will receive an individually numbered bottle of 25-year-old Aberlour (1964) packed in a wooden casket with a brass lock and key.

Sara Webb

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	5.00	5.10	4.08	monthly	1	-	0-7
High interest cheque	7.00	7.20	5.76	monthly	1	500-4,999	0
High interest cheque	9.00	9.40	7.52	monthly	1	5,000-9,999	0
High interest cheque	9.20	9.60	7.68	monthly	1	10,000-49,999	0
High interest cheque	9.50	9.90	7.92	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.50	6.61	5.29	half-yearly	1	1-250,000	0
High interest access	8.50	8.50	6.80	yearly	1	500	0
High interest access	9.00	9.00	7.20	yearly	1	2,000	0
High interest access	9.50	9.50	7.60	yearly	1	5,000	0
High interest access	9.75	9.75	7.80	yearly	1	10,000	0
90-day	9.75	9.99	7.99	half yearly	1	500-9,999	90
90-day	10.25	10.51	8.40	half yearly	1	10,000-24,999	90
90-day	10.75	11.04	8.83	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	11.75	8.81	7.05	yearly	2	5-100,000	1 mth
Income bonds	11.50	9.09	7.28	monthly	2	2,000-100,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue‡	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	9
MONEY MARKET ACCOUNT							
Schroder Wagg	10.96	11.53	9.22	monthly	1	2,500	0
Provincial Bank	11.05	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	12.39	10.29	9.02	half yearly	4	-	0
8pc Treasury 1992	12.09	9.95	9.68	half yearly	4	-	0
10.25pc Exchequer 1995	11.07	8.45	6.88	half yearly	4	-	0
3pc Treasury 1990	12.21	11.43	10.96	half yearly	4	-	0
3pc Treasury 1992	10.11	9.27	9.77	half yearly	4	-	0
Index-linked 2pc1992§§	9.43	8.92	8.61	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day; immediate access for balances over £5,000.‡ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Wanted: homes for loans

EACH YEAR about 65,000 foreign students arrive in the UK, find a place to live and have a look around campus. Their next move is to find a temporary home for their hard-earned savings or student loans.

However, many say that the seemingly straightforward process of opening a bank account often turns into a frustrating tale of woe. "The only reason the British don't complain as loudly is that they're not used to a better system," says Anita Mielewczyk, 33, a Canadian student at City University in London. "It is a completely antiquated system – and it's run like a private men's club," adds Anita, who said she felt discriminated against because she wasn't British. "This business of needing references from the UK is ridiculous, especially if you have not lived here before."

Anita says that she was made to feel as though Barclays was doing her a favour by letting her open an account. She claims she was never told about student benefits – available to UK students – but was telephoned as soon as she was overdrawn by £50.

Muhammed Umar, 24, a student from Pakistan now at City University, claims that Lloyds would not let him open an account unless he had three UK references. "Lloyds made it quite simple," he says: no references, no account. "I almost felt they didn't want my money." Luckily, Muhammed had a brother living in London who acted as a referee. "In Pakistan, the procedure is simple compared to the UK. You can get a cheque book in one hour."

Most of the "Big Four" banks – Barclays, Lloyds, NatWest and Midlands – go out of their way to portray themselves as caring, personal institutions, eager to satisfy the student's every need, from insurance to flexible overdraft arrangements. Competition is fierce for the business of UK students because most will stay on with their favourite bank after graduating from polytechnic or university.

"We're willing to listen to students," claims Robert Jamieson, spokesman for NatWest, pointing out that NatWest does not discriminate between foreign and domestic students.

When asked what the rules on opening a student account were, a Barclays spokesman said that it was basically up to the discretion of each bank manager. He stressed the importance of the personal approach: "Foreign students are treated equally, but they have to prove that they can support themselves."

George Terzis, 22, a Greek student at City University, had a taste of the British banking system in his own country. When George asked the NatWest bank in Thessaloniki to wire funds to a branch in London, he said the manager told him it would be impossible, without offering an explanation. "Even now I can only receive money from Greece by mail; what happens if there is a mail strike?"

George spent seven hours at his branch in London trying to sort things out. "The bank told me it was not their problem. The people at NatWest made me feel like I was a little schoolboy being spoken to by a headmaster." Neither did he appreciate waiting four weeks for a cheque book: "I don't want presents or money; I want better service."

Most foreign students thought that once they opened their accounts the rest would be smooth sailing. Elana Shap, 23, a South African student at City University, was told by a NatWest employee that "£2,000 doesn't get you very far" when questioning the length of time it took to receive a cheque card.

"Another thing I found frustrating is that the bank didn't explain things to me. They didn't tell me from day one that when you get your cheque book you still have to wait for your cheque card, and they didn't tell me about student benefits," says Elana. "The banks should explain why they're being cautious to avoid unnecessary frustration."

Maria Levy, 25, a Canadian student at City University who set up an account at Midland, opened a savings account within a week but was told to wait six months for a cheque book. The bank wanted to see a "British banking history" first.

One only has to look as far as the glossy brochures to realise that the banks have students' best interests at heart. They offer cheap insurance, flexible overdrafts, free pens, wallets, personal organisers and cash incentives. However, many foreign students seem to view the whole process of opening a bank account as an exercise in futility. Many of the students interviewed felt that banking catch-phrases like flexibility and personal service meant absolutely nothing when it came down to doing business.

As one 24-year-old American student at City University put it: "If British banks spent less time handing out free personal organisers and money and more on simple things like opening current accounts, they'd be on the track to catching up with the rest of the Western world."

Jane Kokan

FINANCE & THE FAMILY

John Edwards examines the deals available to savers

Maximising your interest

BUILDING SOCIETIES are no longer necessarily paying the highest rates of interest on deposits. In their efforts to keep the cost of mortgages down, the societies have also been forced to keep their investment rates down. As a result, many banks, particularly small ones with no mortgage commitments, are now offering very competitive rates.

You still get a lousy deal if you deposit small amounts, say under £500, on which both banks and building societies pay only a miserable 6 to 7 per cent. For larger amounts, however, you can receive between 11.5 to 12 per cent net – if yon are prepared to lock your money away for a specified period.

There are also special opportunities if you are married with a spouse who has little or no income. Many new products coming to the market intend to enable married couples to take advantage of independent taxation from next April. However, you don't have to wait until then to act. In many cases the first payout of income or dividends comes after April 6, so you can earn tax-free interest starting from now.

Under existing regulations, all banks and building societies have to deduct composite rate tax (currently 21.75 per cent) *from all interest paid* to UK residents, and this tax cannot be reclaimed even by non-taxpayers.

If the deposit exceeds £50,000 and is subject to seven days notice of withdrawal, however, you can be paid interest gross. So if you are rich and trusting enough to transfer £50,000 into an account in your spouse's name, the interest can be paid gross from April – he/she will be able to deduct personal and other allowances.

That's the easy way. For deposits under £50,000, it is more complicated – since there is a limited range of no-risk investments not subject to composite rate tax.

Nevertheless, the choice is growing. Several unit trust groups have introduced managed "cash funds." Unit trust groups have not been particularly interested in "cash" funds so far – even though they have been permitted for some time – because there were not competitive with building society or bank accounts after deduction of charges.

Independent taxation has changed that. Although tax is deductible on the units at 25 per cent, a tax credit is provided so non-taxpayers can reclaim it and thus receive the interest gross.

Latest to jump on the bandwaggon are Smith & Williamson, the private banking group, and Stewart Ivory, the Edinburgh based investment house. Both have launched UK-authorised unit (cash) trusts that invest purely in money market deposits with banks and financial institutions.

The S & W Cash Trust has an estimated initial yield of *about 14 per cent, after deduction* of charges. There will be no initial charge and, therefore, no difference between buying and selling prices for the units. The annual management fee will be held down to 0.5 per cent of the value of the fund. It will distribute income half yearly, with the first payment due on May 1.

INTEREST PAID BY LARGE BANKS OFFSHORE

Category	Bank	Account name	Amount	Gross CAR %	Base
Offshore £1,000	Abbey Nat Bank	Offshore 90 day	£1,000	13.62	Jersey
		Premium 90 day	£1,000	13.50	Gibraltar
		Offshore plus Instant	£500	12.50	Jersey
Offshore £10,000	Midland Bank	High Int bond 6 mth	£2,000	14.90	Channel Is/IoM
		Premier saving 30 day	£5,000	14.55	Channel Is/IoM
Offshore £25,000	Bank of Scotland	MMCA Instant	£2,500	14.48	Jersey
	NatWest Bank	Crown Reserve 3 mth	£25,000	15.03	Channel Is/IoM
	Midland Bank	High Int bond 6 mth	£2,000	14.90	Channel Is/IoM
		Premier saving 30 day	£5,000	14.55	Channel Is/IoM

Source: Bley's Money Master

INTEREST PAID BY LARGEST BANKS AND BUILDING SOCIETIES IN THE UK

Category	Bank/building society	Account name	Min amount	Net CAR %
Immediate £1,000	Natl & Prov	Instant reserve	£500	9.75
	Lloyds Bank	Instant savings	£500	9.60
	Barclays Bank	Prime	£1,000	9.52
Immediate £10,000	Bank of Scotland	MMCA	£2,500	11.17
	Royal Bank of Scotland	Premium	£10,000	11.03
	Bradford & Bingley	Maximiser bonus	£10,000	10.25
Immediate £25,000	Royal Bank of Scotland	Premium	£25,000	11.19
	Bank of Scotland	MMCA	£2,500	11.17
	Natl & Prov	Instant reserve	£25,000	10.50
3-month £1,000	Alliance & Leic B Soc	Cap choice 3 month	£1,000	10.50
	Yorkshire B Soc	Platinum Key 60 day	£500	10.50
	Bristol & West B Soc	No 1 Capital	£500	10.30
3-month £10,000	Birmingham Mid B Soc	Quantum Plus	£2,500	11.56
	NatWest Bank	Crown reserve	£10,000	11.19
	Girobank	High Int notice	£10,000	11.00
3-month £25,000	Birmingham Mid B Soc	Quantum Plus	£2,500	11.50
	NatWest Bank	Crown reserve	£25,000	11.46
	Yorkshire B Soc	Platinum Key 60 day	£25,000	11.25
Long period £1,000	Alliance & Leic	Cap choice 1 year	£1,000	11.50
	Alliance & Leic	Cap choice 6 month	£1,000	11.10
	TSB	Fixed term 1 year	£1,000	10.50
Long period £10,000	Bradford & Bingley	Max Elite 14 month	£10,000	11.83
	Bristol & West	Vantage bond 1 year	£5,000	11.80
	Abbey Nat Bank	Optimum bond 2 year	£10,000	11.80
Long period £25,000	Bradford & Bingley	Max Elite 14 month	£10,000	11.83
	Bristol & West	Vantage bond 1 year	£5,000	11.80
	Abbey Nat Bank	Optimum bond 2 year	£10,000	11.80

Source: Bley's Money Master

Stewart Ivory estimates that at current rates of interest, the return provided by its cash fund will be between 13.8 to 14.6 per cent, depending on the size of the investment.

Interest is, however, only paid annually and there are some hefty charges if you only invest the minimum of £500. There is an initial charge of 5 per cent, which together with stamp duty, means there is spread of 5.5 per cent between the buying and selling price of the units (the bid/offer spread). An annual management charge of 1 per cent is also deducted from the fund.

If you invest larger amounts, however, bonus units are given and the bulk of the initial charge is rebated for sums between £5,000 to £20,000. Deposits over £20,000 would currently yield a return of 14.62 per cent gross, according to David Hume of Stewart Ivory.

For smaller sums, the Savings Corporation's Harbour Fund is worth looking at. It claims to be the only unit trust that invests only in high-interest building society accounts. The minimum investment is £500, or £25 a month. By pooling the money together, the Hambros Bank-managed fund can shop around for the highest building society rates available. Its current interest rates are 13.51 per cent gross or 10.13 per cent net, after deducting the annual management charge of 0.5 per cent. There is no initial charge, so there is no difference between the buying and selling prices of units.

Interest is accumulated in the units, but investors who want regular income can withdraw the gain the units make each month, *subject to a* monthly minimum of £25, or withdraw a set sum each month. Standard rate tax is deducted at source. However, tax vouchers will be issued annually (first of all on May 18, 1990) so the tax can be reclaimed by non-taxpayers including spouses with low incomes, since the first distribution will not be made until after April 6 next year.

Conversely higher rate taxpayers can use their annual capital gains tax allowance and sell their units before April 6 to save the 15 per cent extra tax liability.

As it is a unit trust, if inflation reduces the real value of the original deposit, this is a capital loss to offset against any capital gains.

To stress it is a no-risk investment, the Savings Corporation do not have to carry the normal warning associated with unit trusts that the value of units can go down as well as up. The value of the capital sum invested cannot go down, although the rate of interest may fluctuate.

If you don't want to get involved in reclaiming tax, another alternative is to put your money into an offshore bank account in one of the tax havens like Jersey or the Isle of Man. Interest is automatically paid gross, and you are only liable to pay tax when bringing it into the UK. If you are a non-taxpayer that is no problem. Even for taxpayers it is a way of deferring payment.

The downside, of course, is the inherent risk of investing abroad. The Jersey authorities, worried about the island's resources being strained by thousands of UK investors opening up small accounts, have clamped down on the promotion of these accounts in the UK, particularly through Abbey National and the other High Street banks. However, it is not illegal and there is nothing to prevent investors from making the most of the opportunity.

Cater Allen, a discount house operating in the money markets since 1816, has just extended its range of high-interest accounts with the launch of the Consort deposit account, available in both London and Jersey. It does not have a cheque book facility and requires one month's notice for withdrawals.

The interest rate is reviewed weekly, but is currently 14.25 per cent gross, equivalent to 15.29 per cent on a compounded annual basis since interest is calculated daily and credited monthly. In London, deposits under £50,000 pay 11.15 per cent, after deduction of composite rate tax.

The minimum initial deposit is £5,000, and no interest will be paid if the cleared balance is below that figure.

The return of Midas

THERE HAS been much debate lately as to whether the so-called tracker funds follow accurately the index they are supposed to be tracking. But another way of following an index – and, at the same time, limiting any losses of your original capital – is the Johnson Fry Midas bond.

The company has decided to launch a second issue of the Midas bond while interest rates are high. It is a complicated product but it could foreshadow the shape of things to come through using derivatives to offer reduced risks for investors who don't have the resources to play in the main markets.

High interest rates mean it is possible to invest in a fixed-interest security (in this case, a certificate of deposit) and use the interest earned to buy a one-year call option (from stockbrokers James Capel) on the New York or Tokyo stock market indices. That leaves a little bit to spare for a "performance multiplier" which provides an extra boost if the index rises enough to make it worthwhile exercising the option. If the index falls, all you have lost is the premium used to buy the option.

As an additional sweetener the bond is based offshore (in the Isle of Man) so that the interest on the certificate of deposit is not taxed. To a large extent, this offsets the management charges.

Minimum investment is £5,000 and you have to remain in the bond for a year, although you can decide to lock-in any profits made on the option after six or nine months. You can choose to follow either the Standard & Poors 500 index on the New York market, or the Nikkei Stock Average in Tokyo, or both if you invest £10,000.

With the Midas 100 bond, you are guaranteed to get all your original capital back even if the chosen index falls in value at the end of one year. But the 100 per cent guarantee limits the amount that can be used for investment. So, you can choose the Midas 90 version instead. This guarantees that you get back 90 per cent of your capital and, therefore, have a potentially bigger reward with a larger performance multiplier. There is an initial charge of 5.75 per cent of the amount invested, plus a performance fee of 3 per cent of any profit made in addition to your original investment.

Johnson Fry's Charles Fry claims that the returns are superior to those made by most unit trusts, which are unable to match the index, while at the same time limiting a client's potential losses.

There is a currency risk if the value of sterling rises but this affects only the profit made, not the return of the original capital that is invested in a sterling deposit.

John Edwards

FINANCE & THE FAMILY

EXPATRIATES

Big banks strengthen overseas services

BANKS HAVE always provided a somewhat sketchy service for British expatriates but competition is now hotting up.

The latest development, announced last week, was the intriguing announcement that Midland Bank and the Hongkong and Shanghai Bank group are combining forces to provide a package of financial management services for UK expatriates. Hongkong Bank has a near-15 per cent stake in the Midland but this is the first time they have got together in a banking venture.

The new package, which will be run from Jersey, replaces Midland's current expatriate package and will be offered to existing customers of both banks. It means that expatriates based in Brunei have the option of accessing the service through local Hong Kong Bank branches, whereas those in the United Arab Emirates will be able to use the local branches of the British Bank of the Middle East, another member of the Hongkong Bank group.

The service inclndes: an expatriate high interest bank account with money transfer facilities, paying between 9.58 per cent (for balances up to £2,000) and 13.10 per cent (on balances in excess of 250,000) gross at current interest rates; a selection of Midland/Wardley offshore unit trusts; a Midland Indigo Visa card or Hongkong Bank credit card or charge card; and fixed term deposits paying money market-comparable rates. Other benefits include a 15 per cent discount on health insurance with Private Patients Plan, general insurance cover, mortgages on UK properties, plus investment and tax advice from Midland's personal financial services unit.

Interestingly, the official blurb from the two banks makes no mention of investment management services from James Capel, the research-strong stockbroking house currently owned by Hongkong Bank but subject to persistent rumours of an impending sale. The Hongkong Bank says that the omission of any reference to Capel's services is due simply to the fact that in many areas where British expatriates are located, especially the Middle and Far East, its Wardley fund managemant subsidiary is more active.

The three other traditional UK high street banks all have highly-developed expatriate packages. Earlier this year Lloyds used the Marbella Money Show as an opportunity to beef-np its expatriate services by launching its Overseas Club. Main features include a tiered interest-bearing account, overdraft facility, mortgage finance and property

management plus advice on investment, tax and pension planning.

An additional service that has just become available offers guidance on choosing schools in the UK. You provide details of the type of school required and the location or special subject, the bank then feeds this into a computer, and the computer comes up with an appropriate list of schools.

The basis of NatWest's Expatriate Service is a detailed questionnaire which is designed to elicit sufficient information on which to base advice on savings, investment, insurance and property. NatWest also places heavy emphasis on the importance of making a will before you leave the UK because of the practical necessity of ensuring you don't fall into inheritance tax traps.

Barclays maintains offices serving expatriates and other internationally-minded investors in locations such as Jersey, Gibraltar, Isle of Man and Grand Cayman. The full range of banking services is on offer together with less obvious add-ons such as investment managament, offsbora company formation and administration of a discretionary trust.

The Jersey-based TSB Channel Islands asks new expatriate clients to complete one of two questionnaires depending on whether they are going abroad to work or to retire. Both forms are designed to draw out a person's financial objectives.

Among the services offered by TSB is a two-day-notice deposit account available in several currencies and a telephone-linked bome banking service called Speedlink, which can be used anywhere in the world to pay bills and transfer money between accounts.

Bank of Scotland offers to handle an expatriate's foreign and UK income, deal with tax returns and *arrange pensions*, investments and insurance from its Jersey office.

Recent developments in the expatriate market by Royal Bank of Scotland include the opening of an office in Gibraltar, jointly with Banco Santander of Spain, to serve the large expatriate community on the Costa del Sol.

Meanwhile, Abbey National – which still seems ambivalent about being described as a bank, which technically it now is – is planning an expansion to its range of products and services to expatriates from its Jersey office, once it gets to grips with its current role as a magnet for wives' savings under the forthcoming independent taxation regime.

Among other options, ANZ Grindlays Bank and Standard Chartered are much better known for the services they provide to expatriates than they are among UK residents. Both maintain offices in Jersey.

Peter Gartland

Peter Gartland is Editor of The International, the FT's magazine for expatriates.

Tax bill on estate

MY WIFE and I have separate *wills but the provisions are* the same; the trustees are to pay the income from the deceased's estate to the surviving spouse throughout his/her life and, thereafter, are to divide that estate equally between the daughter and son.

In view of inheritance tax, we have tried to hold the estate equally in the separate names of the spouses; the exception to this rule, however, is in the residence and funds in a building society account, which are in the joint names of my wife and myself.

1. When the surviving spouse receives the income from the deceased's estate, does this in any way affect the exempt portion of inheritance tax?

2. Will the survivor inherit the whole of the residence and the funds in the building society? If so, this would appear to defeat the plan to equalise the estates for tax purposes.

■ In the main, property passing to a surviving spouse under the terms of a will, or under the intestacy rules, is exempt from inheritance tax. This extends to trusts created under the will, or intestacy, under which the surviving spouse has a life interest. Any such bequest to a surviving spouse does not affect the initial inheritance tax-free allowance for other property passing on death (now £118,000).

Whether the survivor would inherit the whole of the residence would depend on whether the property was owned by you as joint tenants or as tenants in common. If joint tenants, then the property would *pass automatically* to the survivor despite any bequests you may have made to the contrary in your will.

If the property was held as tenants in common, then it would be owned by you in the proportions set out in the title, and it would be open to either spouse to leave that proportion *under the terms* of his or her will. The method by which the property is owned will be significant in relation to inheritance tax.

The legal title to the building society account will pass to the surviving spouse. However, if it can be established that the account was placed in joint names merely for convenience, then the monies in the account may form part of the estate of the provider. It is noted that the existing wills provide that, on the death of the first spouse, the survivor will receive a life interest in the *deceased spouse's estate* which, after the survivor's death, will be divided equally between your children.

No inheritance tax will be payable on the death of the first spouse by reason of spouse exception; and when the second party dies, the value of the trust fund thereby created will at that time be aggregated with the value of the survivor's estate, with inheritance tax calculated on the value of the whole. The tax will be apportioned rateably between the trust and the estate of the survivor after allowing for the initial inheritance tax-free allowance.

There are steps that can be taken to mitigate the ultimate liability, such as utilising all or part of the inheritance tax-free allowance on the first death. Alternatively, you can make outright gifts or gifts in trust. If you die within three years of making such gifts then these are added back to your estate and inheritance tax is calculated accordingly; but if you survive the date of the gift by between three and seven years then a reduced amount of tax will be payable. After seven years, the gifts will be totally outside your estate.

Council has erred

FOR TWO years, we employed a lady as a live-in companion for my wife's very elderly *mother, who lived in a flat.* The companion had the use of a room plus a salary and a housekeeping allowance.

In August, my mother-in-law had an operation and would have needed nursing care for the rest of her days. On hearing this, the companion said she would be unable to cope. Although she was paid weekly, wa decided to make her an ex-gratia payment of her wages and a housekeeping allowance until the end of September. When my mother-in-law died three weeks after the operation, we told the companion that she could continue to use her room until the end of September.

The companion then went to the housing department of the local council. It urged her to stay in the flat – even after the end of September – until it could find accommodation for her. It also informed us *that we could not evict her* without a court order.

She is still there and, as we have put the flat on the market, the situation is a considerable embarrassment. What action would you advise?

■ We think the council's behaviour is both unwarranted and wrong in law. Yon should write and point out that, through the officer who told the housekeeper to stay on, it has been guilty of a conspiracy to induce a breach of contract and that you will hold it liable in damages for any loss that arises.

You should then (a) seek to persuade tha companion to leave straight away and (b) consult a solicitor with a view to obtaining a court ordar requiring her to leave (based on her having had a service licence which has terminated). A speedy remedy is available under Order 24 of the County Court Rules.

Club rules don't count

I BELONG to a local golf club, which is a limited company. A dispnte has arisen as to whether the Companies Act takes precedence over clnb rules. Social members, who are not permitted to play golf, have been excluded from the annual general meeting but claim they are shareholders in a limited company and entitled to attend and also to vote.

■ The provisions relating to *company law are statutory* and will prevail over any rules or other constitutional structure of the members' club. Shareholders would, therefore, be entitled to attend and vote if the shares are not classed as non-voting shares.

Assessing the risks

WHAT ARE tha risks of transferring stocks and shares out of my name into nominees? My broker stresses the advantages, including savings on costs and administration, the simplicity of transferring stock and the ease of settling. But my solicitor urges caution, and the Stock Exchange complaints section mentions the

Q&A

BRIEFCASE

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theoretical risks of broker default and insolvency.

What protection is there against insolvency? Are shares held in nominees part of the assets of the holding firm? If a firm and a client both hold the same share in nominees, and the firm goes bust after borrowing *against its stock* holding, might the client's share be vulnerable to creditors? Do all possible signatories of a transfer form have to be members of the Stock Exchange, thereby allowing access to its compensation fund, if required?

■ There is justification for the cautious advice you bava received, if you want full protection. It can be very unclear how any given nominees actually hold the shares registered in their names and often there are different categories of holdings. It is by no means certain that all nominee holdings are not vulnerable to creditors: there can be considerable difficulty in identifying any particular client's block(s) of shares clearly enough to claim that they are impressed witb a trust. If that cannot be established, the shares will be part of the assets of the holding firm.

Conflicting advice

I LIVE with my partner in a stable relationship with our child of 12. At the time we bought our house, his ex-wife was still raising difficulties over qnestions of maintenance, so the house was put in my name only to avoid the possibility thet she might make a claim. Since then, she has taken a lump sum, alimony has ceased and she has agreed to make no further claims.

We would like to regularise the ownership of the house but have received conflicting advice from the Inland Revenue as to the tax implications. Presumably, if I "give" him half the house, worth abont £100,000, then one of us would be liable for capital transfer tax? Neither of us owns any other property and we do not make use of any gift or capital gains allowances in most years. Is there any way to *make a tax-free transfer?*

■ You can make a gift of half the bouse as a potentially exempt transfer. If you survive the gift by seven years, the transfer is entirely exempt. If not, the value (£50,000) will reduce your nil rate band allowance (which now stands at £118,000), leaving you the balance (£68,000 on present figures) in tbe nil rate band before inheritance tax would become payable.

Service charges

MY FLAT'S service charge is apportioned, like thousands of others in the country, in accordance with the rateable value. What will happen with the abolition of rateable values and the introdnction of the community charge?

■ As the relevant proportions will bave been ascertained before tha abolition of the domestic rate you should have no difficulty in continuing with tbe existing apportionment. No doubt, new letting schemes will rely on different bases (eg, area).

Fee is not deductible

IN CONNECTION witb a franchise business, please advise me:

1. (a) Is the initial fee a tax-deductible expense? (b) What is the franchisor's tax position on the receipt of this fee?

2. (a) Is the royalty on sale subject to a deduction of tax at source (like an annnal charge)? (b) If so, does it make any difference if the charge is paid or credited? (c) Can the expense be described as a "franchise fee" and escape deduction of tax at source?

■ If yon have not already done so, you should ask your tax inspector for a copy of the free booklet IR28 (1988) – Starting in Business. Before taking up a franchise offer, of course, you should seek independent professional help and advice.

Here are brief answers to your questions:

1. (a) No. (b) It forms part of his taxable trading profits.

2. (a) No. (b & c) These questions do not arise.

Concession that's not quite what it seems

THE GOVERNMENT'S decision that, from next April, up to 1m small businesses with annual turnovers of less than £10,000 will no longer have to provide detailed accounts, is less generous that you might suppose.

These businesses will need only to state three items: their total turnover, their total business purchases and expenses, and their resulting net profit. Under the present rules, they have to provide a profit and loss account and, often, a balance sheet as well.

Dismiss, however, any idea that you can run such a very small business on the back of an envelope from now on. The Inland Revenue is stressing that, while the reporting system will be cut to a minimum, the owner or partners will remain obliged to keep accurate and up-to-date business records. The taxman will continue to investigate business accounts and records for ALL sizes of business where he has reason to believe profits have been under-stated.

Accountants to whom I have spoken are distinctly underwhelmed by the relaxation. They argue that a turnover of between £60,000 and £100,000 (depending upon the type of business) is really necessary, anyway, before a trading activity can properly be dignified with the title "small business."

At turnover below those levels, a small trading activity is unlikely to be able to provide a full livelihood for even one person. It is more properly a part-time or hobby activity

Those most likely to benefit from the Inland Revenue concession are those deriving rent from property where the gross income is less than £10,000 a year. But they should still keep careful records of their office and travel expenses, repairs, and other incidental outgoings involved in managing the property.

■ *Statement: Simpler Accounts for Small Businesses, available from the Inland Revenue, Somerset House, Strand, London WC2R 1LB.*

R. H.

Trevor Humphries

Glynne Lancaster and Eva Meyeringh with the Merlin Image Editor

Roy Hodson on a new tool for photographers

The Image-makers

INVENTING AND making something is the hardest road towards establishing your own small business, as I commented on this page recently. Since then, a dozen or so inventors have been in touch to tell about gadgets that surely can change the world . . . if only someone will give them the *millions* of pounds of capital they need urgently.

Occasionally, however, an inventor does show single-minded determination, coupled with business skill and persuasiveness, to take his bright idea through to the stages of prototype and development.

Glynne Lancaster, 51, is such a man. After working for Ilford, he ran his own photographic film processing business in London.

He has always had an inventive turn of mind. But it was only when he got talking to a photographic librarian, Eva Meyeringh, 34, that he realised how much difficulty photographers have when they try to communicate with the people who actually process their work.

Lancaster began to think about a marriage of photo-optics and computer power that would enable a photographer to look at a colour picture on a screen and then – without acquiring any special skills in technology or computers – be able to adjust size and shape, plus the density and brightness of the colour in any part of the picture. The result would be a new transparency or negative incorporating all the changes.

The whole point of his concept (its working name is the Merlin Image Editor) is that it should be convenient for the photographer to gain access, quick and easy to use, and affordable. Lancaster is pitching at a highly-competitive market. Equipment already exists in many forms and price bands (up to £1m for a single machine that can edit colour photographs). Crosfield Electronics manufactures a range in Britain.

Lancaster, however, believes his machine can be sold at less than £50,000 and will beat the competition in markets such as advertising agencies and newspaper offices by being cheap, light, portable and, above all, usable by untrained people. He also believes it will be installed in the growing number of fast print photographic shops and will be used by amateurs anxious to improve their holiday snaps.

The Merlin has been designed in component form so that it can be put together in an office or shop in a couple of days. The Merlin has another function that promises to make it attractivs to picture libraries.

It can scan photographs and key word descriptions and store them on optical disc, with 1,400 images on a single disc. A library's stock of pictures can also be enhanced – skies made bluer, for example – to suit clients' needs.

Lancaster brought together the diverse talents of a small team of specialists (who hope to gain their financial rewards eventually through their shares in the invention) and now has the prototype of his Merlin running after four years' hard work in a small workroom in Clerkenwell, London. He is aiming to have a working machine ready for Photokina, the world photographic show in Cologne next year.

Professor Colin Blakemore, Waynflete professor of physiology at Oxford University, has concentrated on making the highly-complicated Merlin process simple to use by unskilled people. His contribution means the production machine is likely to be operated by simple hand controls, including a desk-top device called a tracking ball which will make adjustments on the computer colour screen showing the picture.

Philip Culverhouse, senior lecturer in electronics engineering at Plymouth Polytechnic, has written a software programme for Merlin which can be run on micro computers using no more power than those now in common office use. Professor Robert Hunt, a consultant to the City University, is advising on colour reproduction. Meyeringh and a City publicity professional, Christopher Morgan, are handling the marketing.

Lancaster has worked flat-out to bring the image editor to the prototype stage. He estimates that about £100,000 of capital has been spent so far from a total of £300,000 committed to the project by its pioneers.

But at least £2m will be needed to put Merlin into full production – a capital requirement that has persuaded the team it would be better to sell the invention rather than try to finance an independent manufacturing company.

Lancaster says: "The image editor fills so many needs in such huge market-places that we cannot sensibly estimate market penetration."

The troubie with conventional photographic processing in laboratories, says Lancaster, is that the technician often does not understand the client's creative or special requirements for the photograph being handled. And he tells of the time his own laboratory produced 100 colour prints in a hurry for a lecturer at the Great Ormond St Children's Hospital in London.

The lecturer wanted to hand them round to his audience, but rang to complain angrily that his big moment had been ruined. The girl in the photograph had jaundice, and the point of the picture was to show her peculiar shade of yellow.

The laboratory had, with great consideration, given her a healthy pink complexion!

■ *Merlin Image Editor. MMCO, 15 John Adam Street, London WC2N 6LU (tel. 01-930-7642).*

Sally Watts meets a hard-headed wine-seller

That personal touch

WINE entrepreneurs hava a reputation as people who spend their time touring vineyards and sampling the vintages. On the contrary, says Allister Andrew: such enterprises must be run on financial principles just as strict as any other import business.

Andrew, 35, started The Good Wina Company three years ago. He had worked in the wine trade as a school-leavar and later spent six months in European vineyards picking and tending the grapes. More important, he was also trained in chartered accountancy. This, he felt, would help him through the intricacies of the business world.

He and a friend, Melvyn Pilkington – talking, appropriately, over a glass of wine – decided: "It was time to see what running our own business was all about." Pilkington, then group managing director of a building company at Preston, Lancashire, put up the larger part of the £15,000 capital they needed.

Today, he is responsible for collecting debts and the two discuss policy regularly. But Andrew runs the business: at first from his kitchen table, now from a warehouse at Charlton, south London.

He spent the first six months compiling a wine list. Then, buying mainly from UK merchants but also with a small amount purchased direct from France, he started doorstep selling to potential private customers. It was an energetic approach – but it didn't work.

Realising quickly that there was little to be gained by this marketing method, he turned his attention to companies that need to entertain – such as advertising and public relations – as well as to what he terms "people in the people business." He also cultivated restaurants and wine bars and the "off trade" (retailers).

When he got his first order – for four cases – he was so excited that he forgot to fill his petrol tank. He came down to earth when his van stopped on Highgate hill in north London.

In the first year, the company had a £50,000 turnover. This year, it is on course for £750,000. But Andrew recalls: "Wa had a pretty hairy start as we lost half our capital during the start-up period. It was a worrying time." He survived that period on £100 a week, which included the government'a £40 enterprise allowance.

Andrew is a self-taught salesman, who learned from experience and from studying a guide to selling by Alfred Tack. Following Tack's principles, each time he fails to make a sale he tries to work out why. "You might think you've produced the best wine list in the world," he says, "but you still need the personal angle – the rapport with the customer and the knack of making your selling relevant. The only way to do it is to get on the 'phone and ask to see them.

"You might have to ring 40 people to get two or three customers. If they say 'no', I ask when they will be reviewing – and try to see them again then."

He has built a list of 250 clients including top London stores such as Selfridges and Fortnum and Mason; Ibis, the French hotel chain; the National Theatre; and the Royal Society of Medicine. He employs a staff of five – including two full-time salesmen covering London – and is looking to increase sales in the outer London area bounded by the M25 orbital motorway. He delivers, using his own service; orders from further afield are dispatched by carrier.

Andrew goes to France about three times a year and enjoys "doing a lot of detective work" there to meet customers' requirements, both on types and prices of wine.

The company, which ships from France, Germany and Italy, is now operating from a bonded warehouse, which reduces stock-holding costs. The duty of £9.22 a case on table wines can be deferred until after the sale is made, thereby easing cash flow.

He says that one of his aims is to educate people about good wine. His own favourite is a mellow claret but his range is wide, with 120 different products. Next year, he is thinking of importing a red and a white from North America.

Andrew adds that he has seen a change in people's drinking habits this year. Customers now prefer "quality to quantity," he feels.

■ *The Good Wine Company, Victoria Warehouse, 40 Victoria Way, London SE7 7QS (tel. 01-858-5577).*

Allister Andrew . . . "we had a pretty hairy start"

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Water

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A SPECIAL 3-PAGE GUIDE TO H_2OWNERSHIP

Privatisation: a bridge over troubled water

***Richard Evans** reveals the private battles behind the Government's most controversial flotation yet*

TEMPTING ODDS were available a year ago that the flotation of the water industry would be much more likely to dribble into the sand than the privatisation of electricity. Yet the Government has succeeded in bringing the 10 regional water authorities in England and Wales to the brink of privatisation on schedule and relatively unscathed.

Or so it may appear. In fact, the saga of how the relatively little-known, undervalued and politically naive industry has been cajoled and bullied to flotation has at times had a surreal quality and at other times the characteristics of a poorly-plotted novelette, with heroes and villains changing roles arbitrarily.

It has certainly been a challenging experience for industry leaders and for Ministers and civil servants, but by concentrating minds wonderfully it has made the industry more efficient, more aware of its real worth, and more prepared for change.

A successful sale, subject obviously to the uncertainties of the market in the next few weeks, would be a remarkable achievement. Water, regarded as the archetypal public service, seemed one of the less likely candidates for the Government to choose in its search for suitable family silver to sell.

The privatisation programme, which has dominated everything else in the industry for the last two years and more, has been kept on stream despite numerous rapids, including unrelenting political opposition, stubbornly hostile public opinion, running battles with the European Commission on water quality, and an invasion of the statutory water companies by French predators.

The privatisation legislation steamrollered through Parliament in the summer was the central plank in a raft of changes over the last five years that have helped propel a key but alarmingly low profile, secretive and fragmented industry on to centre stage.

Until now the common attitude towards the industry has been 'flush and forget'

It was not always so. The water industry has never had the glamour of the railways, oil exploration or the early days of aviation, although the engineering achievements of the Victorian pioneers deserve wide acclaim. In recent times, the common attitude towards the industry has been: "Flush and forget."

Although the modern industry began in Victorian times it was as early as 1698 that William Yarnold, a leading engineer of his day, sought an Act of Parliament "for better supplying the Town of Newcastle upon Tyne with fresh water." Thus was formed the first of the statutory water companies, and despite all the vicissitudes and reorganisations of the succeeding 300 years some survive and flourish today.

Historically, the statutory water companies were often the pioneers of water supply in response to the growing industrialisation and urbanisation of the 18th and 19th centuries, and it was a mix of the profit motive as well as the desire to improve public health that fuelled growth.

However, in 1845 the Royal Commission on the Health of Towns and Popular Places described water supplies in the UK as so deficient as to be pronounced "bad and frequently inferior in quality." This, together with the deaths of 53,000 people in 1848 through cholera, provided the necessary impetus for the first Public Health Act. Local health bodies were established with the power to supply water for their areas, provided a private company was not already doing so.

From this point on, water and sewage have been regulated and direct or indirect public involvement in the industry considered essential.

At the outbreak of the First World War there were around 2,000 water supply undertakers in England and Wales, mostly controlled by local authorities but with a strong representation of private companies operating under separate Acts of Parliament. It was a confused, fragmented scene, however, and it was only after the Second World War that a more coherent picture began to emerge.

The 1945 Water Act encouraged the amalgamation of water suppliers and there were reductions from more than 1,400 suppliers at the end of the war to 950 in 1950, 276 in 1968, and down to 187 immediately prior to the 1973 restructuring, which ranks with privatisation in the scale of the changes to the industry.

The milestone of the 1973 Water Act combined the various branches of the industry into 10 regional authorities, with boundaries based geographically on river catchment areas – the so-called integrated river basin management concept.

The concept has, by general consent, worked well, but in addition to giving responsibility to the authorities for all water management matters – including water supply, sewage treatment, pollution control, drainage, flood prevention and fisheries – the legislation added all the other functions of river basin management. In particular, regulatory control combined with the utility activities created combined "gamekeeper" and "poacher" organisations, a tension which has subsequently produced conflicts of interest which the privatisation legislation has sought to resolve.

The return to government of the Conservative Party under Margaret Thatcher in 1979 heralded further big changes for the industry. Expenditure quickly became subject to more rigorous control through the application of External Financing Limits from 1981-82. And, after years of chronic under-provision, capital investment began to rise significantly by the mid-1980s.

In addition, the boards of the authorities were restructured so that they could be managed more professionally. Previously the boards had operated with a large number of representative local authority members, often bringing the total to a cumbersome 60 or more.

But for the first six years of the Thatcher Government the privatisation of the water industry was not on the political agenda, and the authorities achieved only limited public recognition as a nationalised industry. Provision of reliable services attracted little notice except in a drought – the authorities had no high street shops like the gas and electricity concerns, and few meter readers. Water supply and sewerage remained the least thought about and most taken for granted of utilities.

Then, in February 1985, came the event that triggered the whole privatisation process. Roy Watts, chairman of Thames Water, and his board objected strongly to the repayment to the Treasury of an extra £40m in loans and a consequent increase in domestic charges of 10 per cent to cover it. He insisted, to the fury of Ministers, that his authority – the largest and most powerful of the 10 – would not implement the repayment unless it was approved on the floor of the House of Commons.

Although the Government won the division handsomely, 19 Conservative MPs, mostly from the Tory heartland of the Thames Valley, voted against the whips and in favour of the Watts objections, and a further 28 abstained.

But, more significantly and totally out of the blue, Ian Gow, now Conservative MP for Eastbourne and then the Environment Minister with responsibility for the industry, said that the Government was examining the "possibility of a measure of privatisation in the water industry."

It seemed an unlikely prospect, but after the debate Thames volunteered publicly to be the first authority to be privatised. Roy Watts said there was "considerable disquiet about the financial relationship between the Government and the water and other utility industries." Other authority chairmen were extremely sceptical that privatisation was a viable option, but nevertheless the debate was on.

The Environment Department put out a consultation paper but most of the authorities, together with the Water Authorities Association, remained unconvinced. Watts persisted in his harrying tactics, however, and Thames published its own privatisation proposals.

Central to the Thames plan – and it had the backing of the rest of the industry – was the retention of the concept of integrated river basin management. To the relief of the industry, a Government white paper in February 1986 proposed the transfer of the core utility business of the authorities to privatised companies virtually intact, retaining only flood protection and land drainage in the public sector. The sacred concept of river basin management was to be preserved.

The debate raged on through the first half of 1986, but it soon became apparent that there were problems. In particular, powerful organisations such as the Confederation of British Industry and the Country Landowners' Association were alarmed that control of environmental and regulatory matters would be retained by privatised companies. They argued with passion that the conflicting interests of "poacher" and "gamekeeper" should be separated.

Their lobbying coincided with the transfer from the Environment Department of Kenneth Baker, who had backed the privatisation plan, and his replacement by Nicholas Ridley. He took a hard-headed look at the political practicalities and decided in July 1986 to pull the plug on the scheme. It was back to square one.

Then, prior to the 1987 General Election, the Tory manifesto declared that a re-elected government would privatise the water industry, "leaving certain functions to a new National Rivers Authority" remaining in the public sector.

There had been no consultation with the industry, which found itself wrong-footed and badly divided. Roy Watts opposed the new plan vociferously on the grounds that it would end the much admired river basin concept. John Bellak, incisive chairman of Severn Trent, the second-biggest authority, was the only one to embrace the new proposals warmly: the remaining eight chairmen came down somewhere in the middle or simply sat on the fence.

The Tories' third election victory was followed quickly by a green paper from Ridley entitled "The NRA – a public regulatory body in a privatised water industry" – and the conflict within the industry and between the industry and the Government deepened.

The adherents of the integrated river basin initially refused to back down, but a growing number of industry leaders argued reluctantly that the only way to get privatisation was to accept the Government's formula. Roy Watts, left isolated, was forced to concede.

So all 10 finally came round to accepting the Ridley proposals – but the internal dissensions did not stop. At times the chairmen were like warring barons, possessive of their own little patch and unwilling to give way. In particular, Roy Watts and John Bellak, although they now confess a warm regard for each other, preferred to take opposing sides in any argument.

At the centre was the heroic figure of Gordon Jones, chairman of the Water Authorities Association as well as of Yorkshire Water. He battled in vain for unity in the early stages but eventually won through to gain the acclaim and gratitude of his peers.

In the end, against an unsettling background of intense financial speculation over the predatory forays of the big three French water groups into many of the 29 statutory water companies, and increasingly determined moves from the European Commission over early compliance with stringent water quality requirements, three events got the show back on the road, according to one of the most astute chairmen.

The first was the early appointment of Patrick Brown, one of the most experienced privatisation experts in Whitehall, to lead an inexperienced team. The Environment Department had never conducted a privatisation before. The second was the appointment of Rothschild as merchant bank adviser to all 10 authorities, in addition to individual advisers who had often pulled in conflicting directions.

Finally, there was a secret dinner in London between all the chairmen and Norman Lamont, then in charge of the Government's overall privatisation strategy. He took on board the need for a 100 per cent rather than part sale, and for a complete £5bn debt write-off and generous £1.6bn cash injection to make the industry acceptable to investors.

After an ultimatum from Nicholas Ridley, the authorities were presenting a unified front by the summer of 1988, when the Government confirmed that all 10 would be floated together rather than in batches. It meant that for Schroder Wagg, the Government's merchant bank advisers, there would be the most complex flotation ever attempted, as well as the most politically unpopular.

Michael Howard was appointed water minister, presumably on the grounds that if he could steer the Financial Services Act and the community charge legislation through Parliament, even water privatisation should hold few terrors.

He did the job remarkably well after initial hostility from the industry over his stubbornness, and he mastered the complexities of the legislation superbly. The Opposition team, led by Jack Cunningham and Ann Taylor, launched effective and damaging campaigns against the industry and its lack of suitability for the private sector, but because of the in-built Tory majority the bill remained largely unscathed.

The final cliff-hanger, which nearly ended in disaster, came this summer when Howard and Brown conducted a series of individual negotiations with the chairmen and their advisers over the setting of the K factor – the percentage by which charges will be allowed to rise above inflation over the next 10 years.

Because of the huge capital investment programmes scheduled, all the chairmen argued for high K factors, but the Government team found these demands politically unacceptable and scaled them down to an average of around 5 per cent a year.

Some of the negotiations developed into a poker game of bluff and counter bluff, and although agreement was finally reached with concessions from the Government, there were dangerous moments. Resignation threats were made by more than one chairman, including Gordon Jones.

A judgment now has to be made by investors, and the advice is conflicting

The statutory companies, which will now be able to convert to plc status like the authorities, are still embroiled in difficult negotiations over their K factors. They feel that they might be forced into the rough new world on unfair terms, as they have had no benefit from the authorities' debt write-offs or the injection of the "green dowry" money.

For the authorities, with their K negotiations settled, it has largely been a matter of waiting impatiently for flotation and seeing how skilfully Schroders and Dewe Rogerson, the marketing experts, have done their job.

A judgment now has to be made by investors on a relatively little-known industry, and the advice is conflicting, partly for political reasons. One critic's harsh verdict is that the Government is selling "a rat-infested tangle of cracked pipes," whereas John Bellak argues that the UK industry is in general much more efficient and effective than the rest of Europe.

A crucial fact about the flotation is that from the Government's viewpoint it is vital for it to succeed. Failure would be too embarrassing politically, and would damage the much bigger flotation next year of the electricity industry. The share price has therefore had to be pitched generously.

Charges are undoubtedly set to rise steeply as quality is improved. Water has been a cheap and undervalued commodity in the past, but this is set to change – to the benefit of the shareholder rather than the consumer.

Final timetable for potential water investors

■ **November 22:** Price published. Mini-prospectuses and application forms posted to those who have registered.

■ **November 29:** Application forms published in national newspapers. Full prospectuses and application forms available from post offices and banks.

■ **December 6:** Offer closes.

■ **December 12:** Basis of allocation announced. Dealings commence.

■ **December 20:** Posting of interim certificates and return cheques.

Making sense of a flood of information

*Beginners start here: **Andrew Hill** answers the principal questions about the risks and potential rewards*

Q&A
BRIEFCASE

■ So, the Government is going to sell Britain's water industry . . .

Not exactly. The Government is selling the 10 water and sewage businesses of England and Wales, which used to be called water authorities. Water services in Northern Ireland and Scotland will stay in public ownership. The 29 statutory water companies, which supply water to a quarter of the population in England and Wales, are already in the private sector. They are called "statutory" companies, because they were setup under separate Acts of Parliament, as explained on the next page. They will have the opportunity to convert to public limited companies status.

■ I bought British Telecom and British Gas shares, but I steered clear of BP: how does the water sale differ?

The main difference is that it's much more complicated: there are 10 companies for sale, rather than one, serving different regions. In some areas they share the water supply duties with statutory water companies. The Government is selling 100 per cent of the water and sewage businesses; it only sold 50.2 per cent of BT.

■ How big is the water privatisation?

At a common share price of 240p the sale will raise about £5.24bn, which is at the bottom end of the £5bn to £7bn range forecast by analysts before the recent uncertainty in the markets. At one stage last year there were suggestions that the privatisation might raise as much as £10bn.

■ I've been disillusioned by the performance of the stock market over the last few weeks. Why should I invest in water?

The bullish view is that water is ideally suited for investors seeking an antidote to market hiccups. The core business could hardly be more resilient: everybody needs water and the companies have local monopolies in supplying the stuff. In addition, the industry has promised a "progressive" dividend policy – Cityspeak for dividends which increase above the rate of inflation – and the issue has been priced with an 8.55 per cent dividend yield to attract the private investor.

■ What's to stop a water company going bust or running dry?

As if the natural resilience of the business was not enough, Ian Byatt, the new Director General of Water Services, has a duty to ensure that all water groups – including the statutory companies – can finance their core utility business.

■ How?

His principal weapon is a "price cap." As from next April, water and sewage charges for each company will be controlled by a formula based on the increase in the retail price index plus a factor known as K, which is calculated on the basis of each company's known capital expenditure plans for the next 20 years.

■ What about unexpected costs?

Most of them should be covered by an additional mechanism, known as cost pass-through. At the regulator's discretion the cost of certain items – such as changes in water purity regulations or the installation of water meters – can be passed straight to the consumer in the form of higher charges. In addition, the DG can review the 10-year price limits after five years.

■ Well, that's converted me. An investment in water is obviously free from all risks: I shall go straight out and fill my boots with water company shares.

Not so fast! Although water shares are likely to resemble index-linked gilts more than traditional equities, there is some element of risk. And as we're constantly being warned, "The value of shares can go down as well as up."

As in any public company, management could err. All the companies have to carry out extensive capital expenditure programmes, amounting to at least £24.6bn over the next 10 years, in order to meet new environmental standards. If costs overrun because of incompetence there will be no recourse to the Director General for price increases.

Some of the companies are also planning to embark on ambitious diversification into other areas, which could include leisure and overseas contracting. Remember that the DG's duty to ensure a company can finance itself only extends to the core business.

The DG also has a duty to the consumer. If a company makes savings because of unexpected windfalls he could reduce the K factor. As a last resort, Byatt could punish real incompetence in the core water business by removing a company's licence.

■ Is there any political risk?

As with any privatisation there is the possibility that another government could attempt to "re-nationalise" the business, or influence the regulator so that he or she favours consumers over investors. That risk is heightened with water, partly because it has been such a controversial measure, and partly because of the recent political turmoil.

■ And didn't I read about big legal problems which might affect the issue?

It's true that the European Commission is taking the UK Government to court because of its alleged failure to comply with the EC Drinking Water Directive. However, the companies themselves would not be involved as defendants in such a case and any costs incurred as a result would be subject to cost pass-through.

There are also 15 local authorities claiming compensation for future asset sales by the 10 former water authorities. Michael Howard, the minister with responsibility for the water industry, has pledged full indemnity for the companies against any liability arising from those claims.

■ How big are the individual companies?

The largest water company – in terms of market capitalisation and population served – is Thames, valued at £922m, and serving nearly 12m people; the smallest in value is Northumbrian, worth £157m, although South West, with a population of only 1.5m, answers to fewer customers.

■ So is there a different price for each company?

No. There is a common price of 240p, payable in three instalments over 20 months.

■ Then how do I distinguish between them?

Obviously the companies are not all worth the same. The Government has adjusted the number of shares for sale in each company, and their individual dividend yields. In theory, the "handicapping" process should make all the companies – the large and the small, the plodders and the fleet of foot – look equally attractive to shareholders.

■ But surely there must be some way of prising them apart?

Well, analysts are looking at a number of criteria. They are particularly interested in the management capabilities of the 10 boards, many of which have been stocked with new directors who have private sector experience.

Other interesting points to look out for include: the size of the companies' capital expenditure programmes – and how well they have coped with large spending projects in the past; the K factors; diversification plans; and size, both in terms of population and the number of shares in issue.

■ What about takeovers?

France's three largest water suppliers have bought 12 of the 29 statutory water companies in the last 18 months in order to gain a foothold in the UK industry. The trio – Compagnie Générale des Eaux; SAUR, which is a subsidiary of Bouygues; and Lyonnaise des Eaux – might well be interested in stakes in the privatised companies, although they have played down the possibility of full bids.

In any case, there are restrictions on shareholdings. Nobody can own more than 15 per cent of each company; the Government holds "golden shares" which will prevent takeovers for at least five years; and bids for any water company with assets of more than £30m (which easily covers the 10 being sold) would be referred automatically to the Monopolies and Mergers Commission.

■ Is this an issue that can be stagged?

The law of averages suggests "yes." You could apply for water shares and sell them on Day One at a premium to the 240p offer price. Britoil (the 1982 sale by tender) and the infamous BP sale of two years ago are the only privatisations to have flopped.

This privatisation is being priced to avoid just such a disaster, although the Government is now aware of the political pitfalls of underpricing, so don't expect a huge premium.

Bear in mind, too, that water is being poured into an uncertain market and because of the complexity of the issue there is an unusually long interval between the setting of the price and the first day of dealings. That increases the risks.

If you were among more than 4.3m people who pre-registered, you should also remember that the incentives to which you are entitled are a loyalty bonus. If you sell within three years you could forfeit some or all of those incentives.

Finally, there is the usual snag for stags in large flotations: share certificates will not arrive in time for the first days of dealings. If you deal before you receive your certificate, you run the risk of selling shares you do not own.

■ When will I get a prospectus?

If you registered in advance with the water share information office a mini-prospectus should be on its way to you. If you didn't, you can still pick up a full prospectus at post offices or High Street banks from about the middle of next week. Application forms will also appear in newspapers.

■ I'm fed up with hearing about water: when will this interminable privatisation end?

The closing date for share applications for shares is December 6 and the dealings will open on December 12. However, there will only be a brief chance to sip a soothing glass of water before the electricity privatisation campaign begins: the 12 area boards are due to be floated off within a year.

THE WATER SALE

Statutory Companies

Yesterday's windfalls

Andrew Hill on the 29 private suppliers

IF YOU HAVE just started to think about an investment in one of the 29 statutory water companies as being an interesting route into the UK water industry, think again.

The real winners are those who took a stake in the UK's private sector water suppliers two years ago – or those who last Christmas suddenly realised that the water company stock they had inherited from great-aunt Molly had increased in value more than 15 times since the previous Christmas.

Alongsida the 10 newly-privatised businesses, statutory water companies supply water to about 25 per cent of the population in England and Wales. They have no responsibility for sewage disposal. The aggregate pre-tax profits of all 29 last year were lower than the operating profits of the smallest water authority.

Many of the companies date back to the 19th century and have a bewildering variety of classes of stock. They distribute a fixed level of dividends and many restrict the voting rights of shareholders. Surplus profits have to be distributed to consumers in the form of lower charges.

All of them now have the option to throw off these restrictions and, with shareholder approval, convert to public limited company status.

Starting more than two years ago three French water suppliers began to invest in these companies, pushing up share prices in the little-known stock market backwater and eventually launching successful bids for 12 of them. Bids for three others came from Biwater, a private UK water contractor, before new merger restrictions imposed by the Government quietened the sector.

The companies also embarrassed the Government earlier this year by raising their water charges, arguing that it was the only way to put themselves on a level playing field with the larger authorities after flotation. Now statutory companies are wrangling with the Department of the Environment again, this time over their price limits, which have yet to be set.

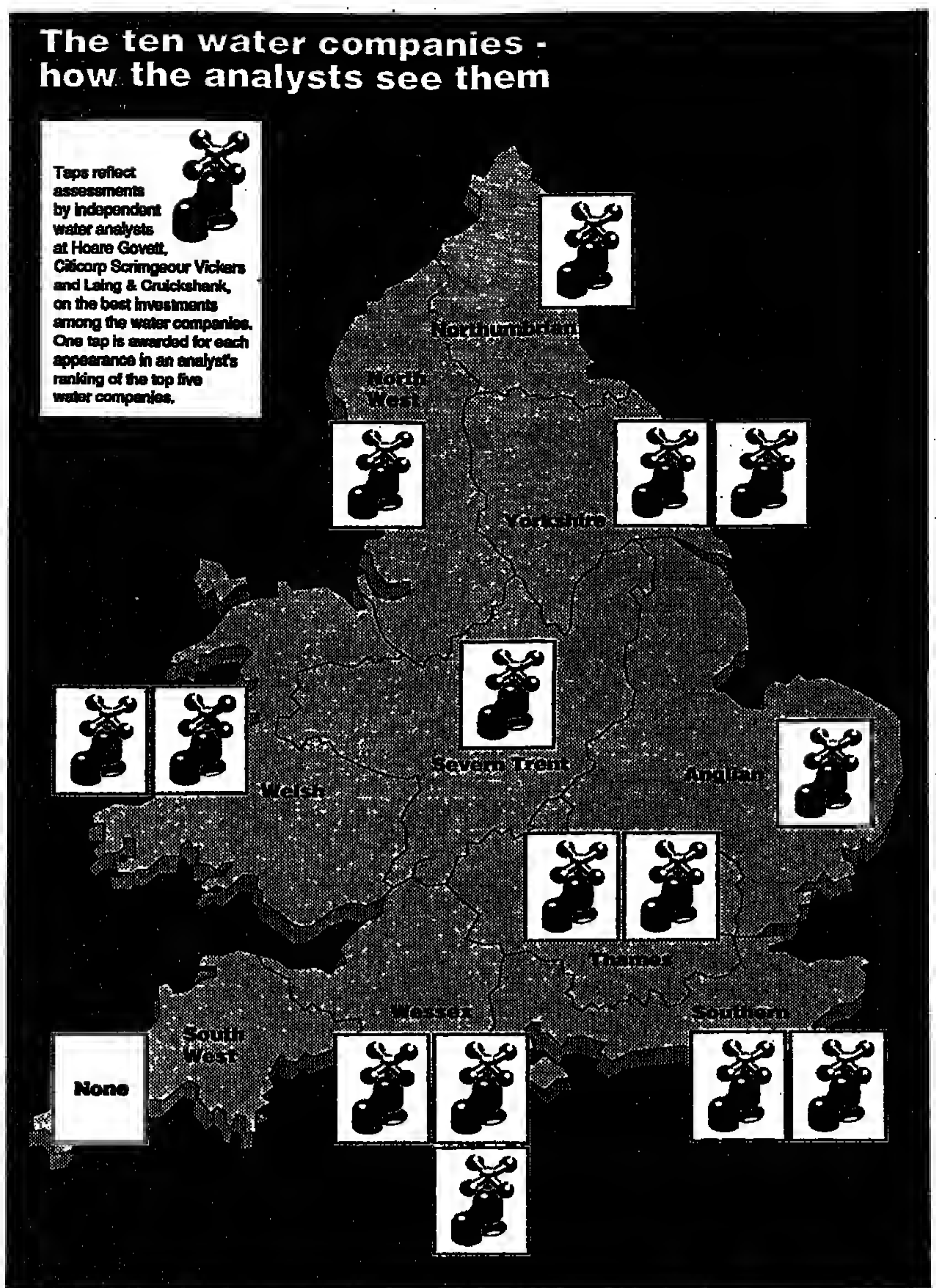
All but ignored by analysts because of the hype which has engulfed the rest of the industry, stocks in the remaining independent companies now look fully valued after the excitements of the past two years. That said, if French suppliers or larger neighbouring water companies decide to bid – and are allowed to – there may be further windfall profits for widows and orphans who hold on.

■ Of the 29, the following are still independent:
Bristol (two large French stakes, but protected by voting restrictions);
Cambridge (made immune from takeover by e shareholder agreement)
Chester
Cholderton & District (tiny, unlisted)
Colne Valley, and Rickmansworth (both awaiting a monopolies decision on a proposed merger with French-controlled Lee Valley)
East Surrey (to be registered as a plc next month)
Hartlepools
Mid Kent (already quoted as a plc, Mid Kent Holdings)
Portsmouth (controlled by its own pension fund)
South Staffordshire (large French stake)
Sutton District (large stake held by Associated Insurance Pension Fund, an Australian investment vehicle)
Wrexham & East Denbighshire (large French stake)
York (large stake held by Equity & Law)

THE 10 NEW PLCs: KEY FACTS

Name	Market value £m	Turnover 1988-89 £m	Yield*	Capital expenditure† 1990-95 £m	Capital expenditure† 1995-00 £m	K Factors 1990-95 £m	K Factors 1995-00 £m	Population‡ (m)
Anglian	707	357	8.51	1470	1990	5.5	5.5	5.4
Northumbrian	157	142	8.91	540	345	7.0	3.0	2.6
North West	854	458	8.73	2220	2060	5.0	5.0	7.0
Severn Trent	849	476	8.25	2330	1750	5.5	2.0	8.3
Southern	393	204	8.35	830	500	5.5♦	0.0	4.0
South West	293	106	9.68	765	525	6.5	5.0	1.5
Thames	922	558	8.10	1890	1920	4.5	4.5	11.7
Welsh	346	220	9.31	860	875	6.5	5.5	2.9
Wessex	246	131	8.45	650	625	4.5	4.5	2.5
Yorkshire	472	308	8.57	1210	1210	3.0	3.0	4.5
TOTAL	5239	2960	8.55§§	12785	11800			50.4

* Yield based on notional full-year dividends for 1989-90
† Estimated expenditure required by K investment programme
‡ Total population, including people supplied by statutory water companies
♦ Southern's K is 5.5 for three years and 3.5 for two years
§§Weighted average yield on package of 10 companies



ANGLIAN

If thera is such a thing as e growth stock in the water industry, then Anglian fits the bill. It is based in one of the most prosperous parts of the country and its customer base is growing et close to 2 per cent per annum. Its assets are more modern than many of its rivals, but it does have lower than average rainfall and the region's intensive farming meana thet it has bigger potentiel pollution problems.

In common with soma other authorities, Anglian'e need to secure long-term water supplies to cater for the next century's demanda is not yet regarded as a problem, and the worries about nitrate pollution have probably been overdone. Anglian'e conservative management has put asida less than £100m of the £3.5bn investmant programme to desl with the problem.

With the second highest K factor, it has one of the biggest capital investment programmes, but is confidant that it has minimised the regulatory risks.

■ A prospective yield of 8.5 per cent end the promise of long-term reel dividand growth of around 4 per cent per annum is e safer bet than farming.

NORTHUMBRIAN

In spite of having the smallest market capitalisation of the 10, Northumbrian is beginning to draw some admiring glances from analysts, partly because of its management'n formidable reputation for cutting costs.

The principal architect of efficiency improvements was Frank Ridley, who retired as chief executive in January. He remains on the board, along with David Cranston, one of the industry's most respected finance directors.

They will help manage n comparatively modest capital expenditure programme and nurture non-core ambitions which include waste incineration projects, possible leisure developments and a cable television joint venture. The high K recognises the difficulty Northumbrian may have in making further efficiency gains. About 60 per cent of water supplied by Northumbrian goes to industrial customers, many tied into long-term contracts with the company. There is no problem with quantity, thanks to the big Kielder reservoir; quality concerns focus on beaches and sewage outfalls to the sea.

Three statutory water companies supply over half the region's population. The two largest belong to Lyonnaise des Eaux, perhaps the most aggressive of the French water suppliers, creating an element of takeover speculation.

■ On the third highest yield – just under 9 per cent – Northumbrian looks attractive, even without the bid possibilities.

NORTH WEST

North West has had to cope with a backlog of problems inherited from the industriel revolution, particularly crumbling sewers and the polluted River Mersey. This led to it being regarded initielly as the one company it would be impossible to sell, but times have changed.

A big capital spending programme has been put in hand and North West probably benefited more than any other from the new financial regime. It could now anjoy reasonable growth due to its high investmsnt programma.

There are emple high quelity water resources from the Lake District, but problems with peat discoloration and from lead piping in the industrial south. Beaches are in a poor state, but e programme of long sea outfalls and coastal sewaga works is under way.

Chairmen Dennis Grove has diversification plans and his ace card could be the company's proven ability to handle big capital projects.

■ An unfashionable company with residual presentational problems, but with a starting yield of over 8.7 per cent, North West could be tha dark horse to wetch.

SEVERN TRENT

No-one thinks that there is anything wrong with the company, but Severn Trent may have its work cut out to attract investors' attention.

The board is seen as well-balanced and efficient. Since 1983 it has been led by John Bellak, the outspoken and high-profile chairman, and incorporates a number of people drawn from the private sector.

The company is facing a big capital expenditure programme, weighted towards the early years, but there are few concerns about the management's ability to cope with this core challenge. However, there are some fears that the board may be diverted by the ambitious diversification plans that it has in the past made clear it is nurturing.

But the true problem with the shares stems from their aggressive pricing. In the very short term, good demand from customers should make them a stagging opportunity. But due to the profile of its spending, Severn's dividend growth is expected to be weaker than the average over the next five years.

■ Taking into account the relatively low yield, there seems little reason to hold the shares.

SOUTHERN

Shares in Southern could be popular with local customers who live in what seems to be the natural habitat of the small shareholder.

Nearly half the 4m population is supplied with water from six statutory water companies, three controlled by the French company SAUR (a Bouygues subsidiary) and a fourth by the largest French supplier, Compagnie Générale des Eaux. Unusually, Southern holds 25 per cent strategic stakes in each, making a French takeover less likely than mutual cooperation.

Southern, one of the most aggressive diversifiers, has already announced a joint venture with SAUR on waste disposal, adding to non-core subsidiaries in everything from information technology to contract plant hire.

In line with this strategy – reflected in a comparatively low yield – management is weighted towards non-core activities. The relatively small capital expenditure programme is concentrated on early improvements to sewage outfalls and the region's popular beaches – hence the unusual split K factor for the first five years.

■ Greater risk than most; but if management is up to the task, diversification plans offer the possibility of rapid expansion unhampered by heavy capital expenditure requirements.

SOUTH WEST

South West faces problems in gaining investors' confidence due to its past bad press and the fact that its management team was hastily assembled just ahead of privatisation.

Hard hit by last summer's drought, it was worse affected by a widely-reported incident of pollution from one of its Cornwall works in 1988. It is chaired by Keith Court, a former director of Blue Circle Industries, who has held the post since August 1987. The board incorporates four other executive directors, nll of whom were appointed this September. Admittedly, three of them have experience in water at South West and elsewhere; they include Kenneth Hill, finance director, who joined after being financial controller at Severn Trent.

Nevertheless, the team has everything to prove at the same time as the company, one of the smallest, immediately plunges into a very sharp increase in capital spending. But there is no doubt that the Government'a advisers thought all this through in the pricing. Indeed, the yield was even greater than expected, and there is certainly scope to narrow the differential should Court et al come good.

■ Being punted as a stagging vehicle, could go well short-term. Further out it has attractions for those prepared to take a risk.

THAMES

Thames, high profils and bullish, ia billed as the premiar atock becauss of its size, location, development potential, and aggressive diversification plens aiming et 50 per cent of profits from non-core activities within five years.

Roy Watts, tha experienced chairmen who pioneered privatisation, has prepared a well-thought-out corporate strategy and has elready bought the Portals International water treatment business. There is considerabls sciantific axpertise and experience in handling larga contracts.

Complstion of the M25-type ring main around London will solve resourca problams and release land but the more stringent property divestment regime has dented prospects.

Thames also has tha smallest investment programme of the big companies which reduces the potential for fast growth in the short term.

■ It is certain to be a very popular stock and should perform well, but much will depend on ambitious diversification plans. Will it try to do too much, too soon?

WELSH

Welsh's unique characteristics demonstrate why investors should look carefully at individual water companies rather than assuming that they are all identical. A strong regional identity – which could attract some of its 3m customers on to the shareholder register – is rivalled only by that of Yorkshire.

Welsh comes under the authority of the Secretary of State for Wales, rather than the Environment Secretary, and is governed by different rules, which prevent a takeover even after five years are up, unless 75 per cent of shareholders vote in favour.

That factor might have proved a strong disincentive to investors, but the Government has offset the disadvantages by giving Welsh the second highest yield of the bunch – perhaps the only surprise of this week's pricing announcement.

Welsh is one of the more cautious diversifiers, expecting only 15 per cent of profits to come from non-core businesses after five years. The executive board has a strong utility background – managing director David Jeffrey, for example, came to Welsh via Northumbrian and Yorkshire Water. It could be needed: the rise in capital spending is higher thanaverage.

■ The high yield has enhanced Welsh's investment attractions, suggesting it could attract followers as a resilient, if unexciting, core holding.

WESSEX

The atrength of Wessex, one of the smallest companies, lies in its well-regarded management and its use of new technology. Known as the "push button authority." It has developsd an excellent customer response system. A fast-growing population will give an opportunity for volume growth in sewaga services, but growth in water supply will be limited by the presence of statutory water companies in the big population araas, Bristol end Bournemouth.

High-quelity, mainly underground water supplies should meet the highest EC requirements and Wessex has by far the lowest laakage rate among the former authorities. In contrast to all neighbouring authorities, there were no water restrictions in Wessex during the summer drought.

A relatively large investment programme, mainly for longer sea outfells end Bristol and Bath sewer renewal, should leave scope to complete below budget.

■ A very well menaged, fancied smallsr company, but handicapped by lack of population and the uncomfortable presence of large etatutory companies.

YORKSHIRE

Yorkshire is as safe and solid a water utility as you will probably get. It does not have an inbred management team, yet it has not hesitated to look outside for special expertise and its chairman is one of the industry's leading figures.

The emphasis on training and research, and cautious approach to diversification, suggests that it could become one of the industry's leaders. One has only to look at the impressive financial record of an institution like the Yorkshire Bank to realise that the better managed businesses do not have to be the biggest – or based in London.

However, with a market capitalisation of close to £500m, it will be bigger than local companies like Allied Colloids, BBA, and FKI, whose yields range between 2.2 per cent and 6.4 per cent. Yorkshire suffers from old underground sewers and mains; nevertheless, it has already shown that it can handle large capital spending programmes, one of the keys to long-term success.

■ A prospective multiple of 5.4 and yield of 8.6 per cent are average for the industry, but does not do justice to a quality stock.

The Shares

H_2OW TO BUY IT

Clare Pearson's step-by-step guide

THOSE forward planners who by November 15 had registered their interest in buying shares with the Water Share Information Office will find applying for them a simpler process than others.

If you did so – and regardless of whether you are a customer of one of the companies – early next week you should receive in the post a mini-prospectus and e personalised application form.

If you failed to pre-register you will have to make do with a public application form – although it should be easy to get hold of one. Forms on their own, and those contained in mini- and full prospectuses, will be widely available from banks and post offices from next Wednesday. They will also appear in newspapers.

If you did not pre-register you will have to use separate forms for the shares of each company in which you want to invest. If you have a personalised form you can use it to apply for shares in any or even all of the companies, making out only one cheque.

You as an individual may make applications for shares in as many companies as you wish. You are also entitled to make a joint application with up to three other people, assuming that you are all over the age of 18. But remember it would be a criminal offence (subject to certain specialised exceptions) for more than one application to be made in any particular company for the benefit of any one person.

Your decision on whether to apply for shares in more than one company, or in one other than your own area company, will be influenced by e range of investment factors. However, in simple terms of perks and preference, those who apply for shares in their local company, and who pre-registered, get a better deal.

This consists of preferential treatment when shares are allocated and being offered the choice between an 8.3 per cent discount off the share price, or "loyalty" bonus shares on a one-for-10 basis. If you apply for shares in a company of which you are not a customer (assuming you pre-registered) you are only eligible for loyalty shares on a one-for-20 basis.

If you registered, remember that you must use the personalised form or else you will forfeit the right to all the incentives.

Delivering the form

Here again, those who pre-registered have the advantage: they will be issued with a reply-paid envelope. But everyone MUST move quickly. You will find details of the various deadlines for delivery and the destination to which postal applications must be sent on the back of the form.

Postal applications must reach the appropriate receiving bank for the water company in which the application is made by 10 am on Wednesday, December 6.

If you miss the postal deadline you may take the form by hand before 3.30 pm on Tuesday, December 5 to a number of banks throughout the UK. A number of additional receiving centres will be open for hand deliveries arriving before 10 am the following day. These are all listed on the form.

Certificates and Refunds

If you are hoping to make a quick sale, it is important to be aware that you may not receive your allotment or return cheque for shares not allocated until shortly before Christmas. Unless you have an established relationship with a broker, you will not be able to sell without your certificate.

In the case of the big flotation of Abbey National, the former building society, last summer, it was thought possible that certificates could be sent out as soon as stock market dealings began, although this process was in the event dogged by delays.

In any event this plan was only feasible because a list of members already existed. Water, on the other hand, will resemble other privatisations in that documents of title, and refund cheques, will only be sent out some time after dealings start on December 12.

Certificetes and refund cheques are expected to be sent out "not later" than Wednesday December 20. Unless you move very quickly after they arrive you will have to wait until December 27, the first working day after Christmas, before you can do anything with them. It will then be nearly three weeks after the closing date for applications.

The Certificate

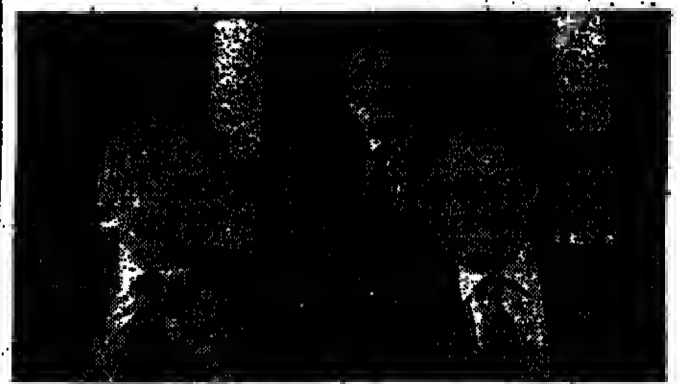
If you invested in previous privatisations you will have received initially a large document known as a "renounceable letter of allotment" (RLA). With water you will receive something rather different, a document known as an "interim certificate."

This is so called because shareholders technically have interim rights over the underlying shares until July 1991, the final instalment date. It will, however, be familiar to Abbey National shareholders.

Unlike the RLA, which became a bearer instrument when shares changed hands, the interim certificate will be backed by a register of holders. This means that it is more secure.

It also has the advantage of making settlement of dealings a smoother process. After the register of holders is in place, all transactions in the shares can be conducted through Talisman, the Stock Exchange'a computerised dealing settlement system. The certificate incorporates a Talisman Sold transfer form printed on the reverse side, which you must sign to sell your shares.

Effectively, this system eliminates much of the paperwork involved in share transfers and should mean that you get a more efficient service.



At the launch of the pathfinder prospectus: from left, Environment Secretary Chris Patten, Gordon Jones, chairman, Water Services Association, junior minister Michael Howard

Dealing in the shares

A range of intermediaries will be providing special deals. Here are just some of those that have been finalised so far.

To the first 10,000 Leeds Permanent Building Society customers who apply from next Monday, the Society will, in conjunction with Debenhams Investment Service, be offering a voucher entitling you to a free share selling (though not buying) service.

To be eligible you must either already hold, or open, a Leeds Liquid Gold or Solid Gold savings account with a minimum balance of £2,000. Details are available from Leeds branches.

Other Leeds account holders, and anyone contacting DIS, will be able to sell their shares through DIS for e flat fee of £10, plus VAT.

DIS is offering these terms to family groups of a maximum of four shareholders with the same address owning shares in the same authority. Skipton Building Society is offering the same terms both to customers and non-customers.

NatWest Stockbrokers provides a dealing service through all its branches to any individual, whether customer or not. As in previous privatisations it is providing a walk-in-and-deal service in the 270 NatWest branches which have a Touchscreen. However, it has not yet decided whether this will include the payment of sale proceeds on the spot.

Barclayshare will also be providing a special deal, but details have not yet been announced.

Cheltenham and Gloucester Building Society is providing an insurance service to people who may be worried about loss of interest on a savings account as a result of an unsuccessful application. If you open a Gold Account before applying for shares you will not lose interest, provided you return your cheque to the account before January 6.

The British Government's advisers have asked us to point out that there is no public offering of the shares in the US or Canada. US and Canadian citizens are not permitted to apply in the UK public offer.

THE WATER SALE

Personal Equity Plans

A flotation tailor-made for PEPs

John Edwards reports on how investors can maximise gains by avoiding paying tax

THE WATER privatisation offers investors special opportunities for using a Personal Equity Plan (PEP) to considerable advantage.

Basically, by transferring new water shares into a PEP you can avoid paying capital gains tax on any profits made or income tax on a potentially high-yielding stock.

But there is much more to it than that. You can also increase substantially in value terms the maximum amount that can be invested annually into a new-style PEP, from the ceiling of £4,800 possibly to well over £11,520, and at the same time shelter from the tax inspector any immediate gain from the difference between the offer price and the market value.

Among the many improvements to PEPs announced in the last Budget was a special provision for new share issues to be transferred into a PEP at the original offer price rather than the market value, providing this is done within 30 days of the allocation date (in this case, December 11).

At the time it was felt that the introduction of this favourable treatment for new issues in the PEPs scheme was specifically aimed at privatisation issues such as water – particularly as an additional concession was made that the amount of partly-paid shares that can be taken in is based on the first instalment of the offer price, rather than the full amount.

This means that buyers of water shares, with a first "call" instalment of £1, will be able to transfer into a PEP up to a maximum of 4,800 shares which will have an issue value of £11,520 in three years after the further two "calls" are paid, and a market value of a lot more if the shares trade at a reasonable premium over the offer price.

Presumably this massive breach of the PEP restrictions is to encourage investors not to sell privatisation sbarea immediately, but instead to retain their holdings.

Taxpayers, particnlarly thoss who have already used up their £5,000 annual capital gains tax exemption, face losing a hefty chunk of any profits made if water shares turn out to be a bargain buy and move to a healthy premium when dealings begin. Alternatively, income tax may take away a lot of the benefits of holding high-yielding sbares, again especially for the higher rate taxpayer.

Unless you have a pessimistic long-term view of water companies, there is quite a lot to be gained by keeping them in a PEP to avoid capital gains and income taxes. Although you are committed to paying the second and third instalments to gain the full benefit, and using up some of your PEP allowances in 1990/91 and 1991/92, a further incentive is that any bonus shares received in the third year can also be used to swell your tax-free PEP holding.

So there is a strong case for arguing that if you are prepared to go to the time, trouble and risk of buying water shares, then you may as well go the whole bog and avoid paying tax as well. But, as ever, it is not quite as simple as that. For a start many investors have already used up some, or all, of their PEP allocation for 1989/90. If you have already invested £4,800 in a new-style PEP then there is not a lot you can do.

Even if yon have only committed part of that amount you may be in difficulty, since tbe majority of PEPs offered are either stand-alone unit, or investment, trusts with a maximum investment of £2,400; or discretionary funds, where the plan manager, not you, chooses the stocks. In theory you could transfer your PEP to a company offering a self-select scheme, enabling you to choose your own stocks, but this could prove time-consuming and expensive. Your choices may also be limited. At the last count there were only about 30 companies offering genuine self-select PEPs with no limitations on which shares are bought. They are mainly offered by small stockbrokers, many of whom see the water privatisation issue as a beaven-sent opportunity to increase sales to the many investors wbo do not yet have PEPs.

However, the "big boys" – the major clearing banks – do not want to know. Barclays, Midland and National Westminster, which all offer self-select PEPs, bave decided not to accept transfers of new issue wster shares. NatWest, which has made quite a fuss in the past about the unrestricted choice offered by its Shareplan PEP, says that it is impossible for it to offer the normal new issues facility for water shares because of the limited time and the complexity involved in handling such a potentially big issne during a month whicb includes a long holiday period.

Barclays says it would be sn "administrative nightmare." Midland, after initially saying that it was prepared to handle deals over £1,000, changed its mind and said it lacked the staff to handla wbat could be a large and very expensive exercise. Lloyds, which claims to be thc largest seller of PEPs, has ducked the problem by simply not including water shares in the list of 30 sbares from which investors can pick up to six shares in the bank's "choice" PEP.

This leaves the field wide open to tbe banks' smaller competitors. Already several companies are offering special deals on water PEPs and no doubt there will be many more in the weeks ahead.

However, investors should be wary. The charges involved in sbare PEPs can be very expensive and to a large extent offset tbe tax savings made, especially in the sbort term. Many of tbe stockbroking firms offering special "water" PEPs have dealing charges, including a minimum charge that could be very high in percentage terms on a small allocatioo. There are also "hidden" costs, such as charging for annual reports and accounts, reclaiming tax on dividends, or withdrawing from the schemes.

Nevertheless there is considerable scope for investors to use water shares and PEPs as a means of building a substantial tax-free portfolio that could yield handsome dividends in years ahead.

Comparative Investments

Ahead of the crowd

William Hall on the 'competitors'

THERE ARE various ways of valuing the new water utilities, and it is hard not to conclude that they all look attractive on conventional criteria. It is near impossible to find another recession-proof industry which is protected from inflation and foreign competition and is promising real lnng-term dividend growth better than the average equity.

In the short term, it must be one of the safest equity investments around, yet it is being sold on an average price earnings multiple of 5 – half the market average – and is yielding a prospective 8.5 per cent, 70 per cent above the average.

Of course, there are serious political risks, some managements will perform better than others, and the prospect of consumer rebellions against higher charges should not be overlooked. Nevertheless, these sorts of multiples are discounting a lot of risk and provided the share prices do not collapse, the partly paid element means investors could stand to make 20 per cent plus annualised returns in the short term.

British Steel, operating in a highly cyclical industry and vulnerable to foreign competition, was brought to market at 4.9 times pro forma earnings and an 8 per cent yield. Among other privatisations, only Associated British Ports and Britoil came to market on higher yields and even they did not offer as high yields as South West and Welsh.

The natural benchmark is British Gas. It is in an equally mature business, is free from foreign competition, and while it does not have such an ambitious capital investment plan, it seems to have a less sympathetic regulator. At 209p, British Gas is yielding a prospective 6.7 per cent.

Over the last 20 years, real growth in UK equity dividends has averaged just 1 per cent per annum. If the water utilities really can prodnce long-term growth in real dividends of between 3 per cent and 5 per cent per annum, then they will probably outperform the average equity and also index-linked gilts which are offering real returns of 3.5 per cent.

It is the sort of financial equation which sounds too good to be true. Either the water utilities will enjoy a massive re-rating over the long term, or their financial performance will be held back by political and regulatory tinkering in their affairs. Neither can be discounted.

Picking A Portfolio

Something for Sid

Andrew Hill considers possible packages

SID AND DORIS didn't need PhDs in economics to buy shares in British Gas, and although they decided not to "Be Part Of It" when the BP offer came along two years ago, at least there was only one of it. As there are 10 different share opportunities in watar, Sid and Doris may be somewhat confused.

But, after so many public flotations many small investors are becoming more sophisticated and may like to spread their risk on the water flotation by applying for a small portfolio of shares in several different companies. Here are three possibilities:

■ **The Fund Manager:**

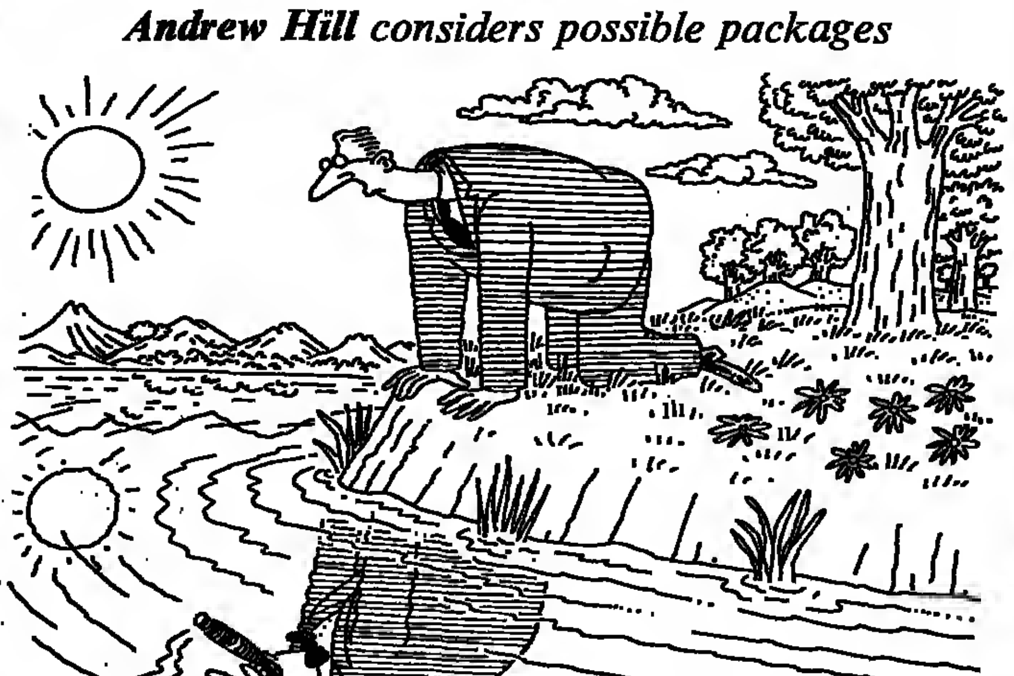
Fund managers get a package containing shares from all the water companies, weighted according to the size of the individual businesses – a 1000-share pack contains, for example, 176 shares in Thames, the largest water company, and just 30 in Northumbrian.

If Sid and Doris decided to weight their mini-portfolio of water shares in the same way they would eventually receive 10 separate share certificates.

They could take these to a stockbroker who would exchange the 10 pieces of paper for one certificate – similar to what the institutions will receive – which could be dealt as a package. Some analysts think the institutional package could be quoted for as long as two years

However, the original applications must be made for exactly the right weighting of shares (check the prospectus, or a broker, for tha details), and it would have to be quite a hefty investment to offset the commission payable if and when the package was broken up.

Private investors have certain advantages over the big investment institutions. They could end up owning nearly half the newly-privatised industry – "clawing back" sharaa provisionally allocated to the professional investors. And if demand is really strong, up to a



third of the shares reserved for the public in each water company will be used to give larger allocations to pre-registered customers.

What is more, there are incentives for those customers who pre-registered. Unless they have some vendetta against their local water company, Sid and Doris would be well-advised to take a stake.

■ **The City Slicker:**

Doris – a veteran of several privatisations – would now like to compete with tha pin-striped City types, "stagging" the issue, or at tha very least getting soma respectable early gains from her portfolio of water stocks.

She has two choices. She could look at companies in areas where privatisation has proved popular in the past. Water companies like Thames, Anglian, Southern and even Severn Trent (which covers a wide area from Mansfield down to Gloucester) could well attract the highest investor interest. If they are over-subscribed they will be the ones to end the first day of dealings on a fat premium to the offer price.

Doris might also look at the smaller stocks, such as South West. Though prone to pollution accidents in the past year, it offers the highest yield of all, which might invite oversubscription.

However, Doris will be unable to deal on Day One without her share certificates – unless she has a very sympathetic broker – so she might as well hold on to shares in Thames, Southern, and Severn Trent, which have bright diversificatioo plans. That makes them riskier investments – particularly those which have heavy capital expenditure programmes – but shareholders would reap greater benefits in a shorter period if management realised its ambitions. Adding Northumbrian would spice the portfolio with a highly speculative takeover element because of the French presence in the region.

■ **Widows and Orphans:**

Sid, meanwhile, is looking for a bunch of companies he can recommend to his ageing mother: nothing too exciting, but with a reliable income.

The largest companies – Thames, Severn Trent and North West – have a solid eoough record, but widows and orpbans may dislike the low yield on the first two. North West has the largest capital expenditure programme, but management has shown its ability to cope with a big spend in the past and the company also promises a strong income.

In addition, Sid may be tempted by Wessex – small and well-managed – by Welsh and by Yorkshire. Welsb has the second highest yield, a strong ntility management, and protection from takeovers. Yorkshire offers the same regional identity and good scope for cost-cutting on fairly substantial capital expenditure programme.

Finally, Sid will be telling his mum that if she has any statutory water company stock certificates left in the attic, and she's not desperate for cash, she should hang on in the hope of further mergers in that sector.

The Political Risk

Party lines on water

Andrew Hill reports

The Labour Party:

"THE low price of wster shares and the incentive package indicate that the Government is worried that potential investors understand the bigb risks involved – but they do not necessarily make the shares a good buy. Fears about the condition of the infrastructure, the adequacy of long term investment plans, EC compliance and potential litigation mean there are significant disincentives for potential investors.

"Labour is committed to taking water back into public ownership and control, and a Labour Government will be under intense pressure from the public to do so. This privatisation has become progressively more unpopular and consumer pressure will intensify as bills increase sharply.

"We accept it will not be possible to take the industry into public ownership from day one, but powers in the Water Act would enable a Labour minister to alter the priorities of the existing regulatory regime.

"For example, under section 26 (3) of the Act, Labour could set different priorities for the Director General of Water Services, so as to promote the interests of consumers by keeping prices as low a possible while investing to improve water quality and the environment. This may mean lower rates of return and share valne for investors.

"The impression bas been given that cost pass-through will ensure a good return to shareholders. But the DG will be under increasing public and political pressure to use the cost take-away provisions, a little-recognised aspect of his powers, to ensure that shareholders do not benefit at the expense of consumers."

Social & Liberal Democrats (SLD):

"We believe water must be available to all, at an affordable price and a guaranteed standard. This requires strict regulations and qnality standards. Propar accountability to consumers is essential to ensure water resources are managed in the whole community's best interests.

"If it becomes clear that the only way to achieve these vital objectives is to take the water industry back into public ownership, we would not hesitate to take this course.

"We would carry this through in a way which fitted logically into our proposals for regional assemblies, by creating regional water companies with regional regulators."

Social Democratic Party (SDP):

"We favour privatisation where it is in the interests of the consumer. Water is the most natural of the natural monopolies, with no scope for the competition that is so crucial to privatisation's success. We therefore oppose the flotation.

"The privatised water businesses will be jndged on their performance. If standards prove too low we will bring forward proposals to increase the powers and resources available to the National Rivers Anthority and the DG of Water Services. Wa would also have to review the ownership of the businesses and consider re-establishing a local antbority interest and greater public accountability."

The Green Party:

"We believe a clean water supply, as a basic human need and right, should be owned in perpetuity by the community.

"We demand adequate drinking water and environmental protection, rigorously applied standards and an enforcement agency free from vested interest and supported by punitive powers. These goals cannot be fulfilled by privatisation, or by traditional state ownership.

"Through a localised, and potentially dual supply system, purificatioo would be concentrated at the point of distribution. That would offer considerable opportunities for economy, quality, and local community control.

"Our society's massive intervention in the natural water cycle can only be sustained by returning water to the system in an ecologically neutral way."

What The Brokers Say

It's a winner

Sara Webb on the experts' view

"GO FOR IT" is the standard stockbroker's response – to a man – when asked whether their private clients should buy water shares.

"It's a good one – we think people should buy it," says Roger Brearley, senior partner in James Brearley, Blackpool-based brokers, even though he is generally advising clients to hold off buying at the moment as he expects to see the market drift down before the end of the year.

"Lots of our clients are very interested in water," says Michael Merridew, senior partner at Farley & Thompson in Bournemouth. "The terms are very good and it's a very good steady stock for the medium term with a particularly attractive yield which will probably increase after the third year."

Stockbrokers around the country report an active interest from clients regarding the issue, although Brearley bemoans tha fact that "it's nothing like the good old days of British Telecom and British Gas – we haven't had nearly as many people ringing up to enquire about water."

Barry Fitzsimons, senior partner at Josias Cunningham of Belfast, says: "The prospects of short-term profits for stags, hefty yields for longer-term investors, and the fact that the instalments have been structured to benefit PEPs (personal equity plans) should generate considerable interest among local investors, even though the Northern Ireland supplier is not involved."

Most brokers expect to see a reasonable premium. As John Gartside, partner of Charlton Brett & Boughey in Southport, points out: "It has been placed at a very favourable price so there should be a good premium." Michael Merridew believes that a reasonable premium is ensured, given that the institutions are interested in buying water shares.

Roger Brearley thinks that stags could receive a premium of between 5 and 10 per cent. Peter Whitworth, an associate with Broadbridgs in Leeds, says Thames is "the most obvious to stag," but adds that it depends on the allocations.

"Of course you get the punters or gamblers going for the privatisations, but we're trying to encourage people to buy because it's a good medium- to long-term investment," says one broker who preferred to remain anonymous.

Most brokers are in fact advising their clients to hold on to their water shares as a medium- to long-term investment. "I don't see water authorities as a growth area – not for capital growth but for income," says John Gartside.

"It's a good one to go for if you want income," says Roger Brearley, who suggests that clients put their wnter shares into a PEP for the tax advantages. Peter Whitworth is telling clients to go for their local water authority shares (in his case, Yorkshire) for the long term because of the incentives.

But what if clients want to buy in to more than one authority? Michael Merridew says: "We're telling clients 'if you have limited funds, go for Wessex, our local authority, for the discount and concessions.' Otherwise, if you have a big sum – say £50,000 – and you want to stag the issue, put £5,000 in each of the ten authorities, as you will get a bigger net amount at the end of the day even though the premium will vary."

Henderson Crosthwaite is advising clients to support their own local anthority and enjoy the maximum benefits, provided they registered their interest by the required date of November 15.

For those who failed to register (and who have missed the incentives), or who prefer to apply for the lesser benefits available from another authority, or who want to apply for shares in a second authority, Henderson Crosthwaite recommends Anglian, Northumbrian, Southern, and Thames.

Barry Fitzsimons is advising his clients to buy Anglian, Northumbrian or Wessex rather than "the grey market front-runners such as Thames or Southern, where the likelihood of over-subscription is higher and could therefore lead to scaling down or even balloting."

Ian Byatt: Independent

Regulation

Water's watchdog

Andrew Hill on the man who will keep the sector in line

IAN BYATT, formerly deputy chief economic adviser at the Treasury, is a man investors should watch carefully. As the new Director General of Water Services he and a staff of about 100 based in Birmingham are responsible for the economic regulation of tbe newly-privatised water industry and the 29 statutory water companies already in the private sector.

Rumour has it that the first drafts of the water prospectus painted, under Byatt, a rosy regulated future for water investors. That was based on his statutory duty to ensure that water and sewage functions could be properly carried ont and that water gronps could finance these througb price increases. In the final draft, water companies hava been allowed to express a little more cantion about the regulator, who has to answer to consumers as well as investors.

Byatt himself seems keen to take into account advice from the City as well as from his 10 customer service committees which are expected to pass on consumers' gripes to tha DG. As for the possibility of political influence, he is adamant that he is independent of the Government, but responsible to the Water Act. Consumers or companies who dispute the small print can take their case to the Monopolies and Mergers Commission.

His desire to issue an annual report should give investors an early chance to gauge how assiduously he intends to carry out his dnties.

The Privatisation Record

Priced to sell and succeed

William Hall reviews the record of previous Government flotations

ONE OF THE less risky ways of making short-term profits in these turbulent times is to take a punt on the latest UK privatisation. And even if the small UK investors remain suspicious, it is a lesson which has not gone unnoticed by many of the more savvy international investors.

Of course, there have been some embarrassing flops. Three quarters of the November 1982 sale of Britoil was left witb the nnderwriters and within a month the price had dropped by a third. The sala of the final tranche of the Government's stake in BP coincided with the 1987 stock market crash. BP shares fell 29 per cent below the issue price, and more than two years later have still not topped the 330p offer price.

But these are the exceptions. The UK privatisation industry is a big business these days and with electricity, the second tranche of British Telecom, coal and rail in various stages of tha pipeline, the Government has to ensure that water does not dampen investor appetite for future issues.

More than a dozen newly privatised companies are now listed on tha London stock market and more than £29bn has been raised. They have a stock market capitalisation of close to £60bn, or a sixth of the total market.

Whatever one thinks about the wisdom of selling off many of these state enterprises, their sheer size in the stock market means that they cannot be ignored. British Telecom and BP are the two biggest companies in the UK, and British Gas is bigger than ICI.

New privatisations have been generally priced so that they go to a decent premium in the short term. County NatWest WoodMac has analysed the post-privatisation performance of British Aerospace, Cable & Wireless, AB Ports, British Telecom, British Gas, British Airways, Rolls Royce and BAA.

Out of these, only Rolls Royce failed to outperform the markst by a significant amount in the first six months.

PRIVATISATION ISSUES

Company	Proceeds (£bn)	Date	Issue price (pence)	Current price (pence)	Starting yield (%)	Current yield (%)
BP	7.0	Oct 87	330	300	5.2	6.5
British Gas	5.4	Dec 86	135	201	6.8	6.3
WATER	5.3	Nov 89	240		8.5	
Brit Telecom	3.9	Nov 84	130	266	7.1	5.5
Brit Steel	2.5	Dec 88	125	126	8.0	8.2
Rolls Royce	1.4	May 87	170	160	4.1	5.4
BAA	1.3	Jul 87	245	349	3.7	3.8
Cable & Wireless	0.9	Dec 85	293	491	5.4	2.2
Brit Airways	0.6	Feb 87	125	201	8.8	5.3
Brit Aerospace	0.8	May 85	375	514	5.2	5.5
Britoil	0.5	Aug 85	185	500*	8.9	
Enterprise Oil	0.4	Jun 84	185	618	5.4	2.5
Jaguar	0.3	Jul 84	165	830†	6.7	1.8
Amersham	0.1	Feb 82	142	362	3.5	4.1
Assoc. Brit Ports	0.1	Apr 84	112	581	8.9	2.5

* Acquired by BP in 1988; † being acquired by Ford

Sources: Price Waterhouse; Datastream. Prices at Nov 21 1989

British Telecom, for example, outperformed by 22 per cent and British Gas outperformed by 10.5 per cent. Even British Steel managed to outperform the market before its share price collapsed last summer.

However, the qnestion of wbether privatisation issues are sound long-term investments is more debatable. This year their record looks reasonably good. Only three of the 13 privatisation stocks – Amersham, British Steel and British Telecom – have underperformed the market. But their record as safe and dependable defensive stocks is less persuasive. Over half of the privatisation stocks have underperformed since the equity market peaked in July 1987. A giant utility, like British Telecom, is never going to keep up with the go-go stocks in a bull market, but it should outperform in current bearish conditions – and it has not.

Similarly, the longer term record of individual flotations is extremely patchy, especially if one assumes that they were underpriced wben they were first brought to tbe market. Amersham, one of the first privatisations, performed well in its early years but has massively nnderperformed more recently. In contrast, BAA was sold at the peak of the 1987 bull market, yet its sbares have handsomely outperformed.

Of the others, a distinction has to be made between those whicb have outperformed by virtue of their superior management, such as Cable & Wireless, Enterprise Oil and Associated British Ports, and those whicb have been the subject of takeover bids.

Shareholders who paid 185p per share for tbe second tranche of Britoil were bought out by BP for £5 less than three years later. Similarly, tbe original investors in Jaguar have been rewarded with a five-fold increase in little more than five years as a result of Ford's takeover bid.

However, the chances of sharebolders in privatisation issues heing bougbt out at fancy premiums are very rare. There is always a possibility that stocks such as Amersham, Enterprise Oil, and Associated British Ports may be bid for, but poor performers like Rolls Royce and Britisb Aerospace are so strategically important, and so protected, that takeovers are unlikely to be permitted even by this Government.

Investors should remember that there is a very big difference between the Government's interest in the flotation being an initial success and its concern for the long-term bealth of tbe company. The regulatory goal posts can, and have, been changed, to the detriment of British Gas and British Telecom; quasi-monopolies often have less incentive to cut costs tban companies whicb operate in the international market place.

Finally, there is alwsya a danger that nswly privatised companies will want to spend large amounts of their sharebolders' money on questionable diversification moves. Privatisation stocks are a good short-term bet, but a much more questionable long-term investment.

WESSEX STEALS A MARCH

■ **WESSEX, one of the smallest of the water companies, has effectively stolen a march on the other nine by winning a prestigious award in the run-up to flotation, writes Richard Evans.**

The Government and its advisers are anxious that all 10 former water authorities should have no special advantages at flotation, and a complex handicapping process has sought to make them look as equally attractive as possible to potential shareholders. The chairmen and senior executives have even been instructed not to give interviews that would entail "selling" their company more than any other.

Now Wessex, which prides itself on its use of high technology, particularly in dealing with customers' queries and problems, has been highly commended in the annual awards of the British Quality Association, to be presented in London next Tuesday. The citation is for the company's "achievement in utilising modern technology to provide an excellent quality of service to the customer, and for its commitment to high standards of performance."

The awards scheme was launched in 1984 by the BQA to give a practical impetus to the Department of Trade and Industry initiative for improving the quality of British-made goods and services. Wessex is among the first service organisations to receive a top award.

MOTORING/GARDENING

Automatic and agile

*Lancia's Selectronic boasts a big personality, says **Stuart Marshall***

WE ALL dream of having the open road to ourselves in a fast car. The reality of everyday motoring is that we spend most of our time driving in town or, at any rate, slowly and haltingly in traffic. In these conditions, size can be an embarrassment and the constant declutching and gear-shifting of a manual car an unnecessary chore.

What we really need for these conditions, although at present few seem to appreciate it, is a small, well-equipped and nimble car with automatic transmission. In short, something like the latest version of the Lancia Y10, the Selectronic, which goes on sale in Britain early in the New Year.

The Y10 has been around for more than four years. It has never made much of an impact in Britain although it is the fourth-best selling car in its native Italy. There, the only car more popular in the "B" segment (motor industry jargon for the supermini size and price class) is the Fiat Uno.

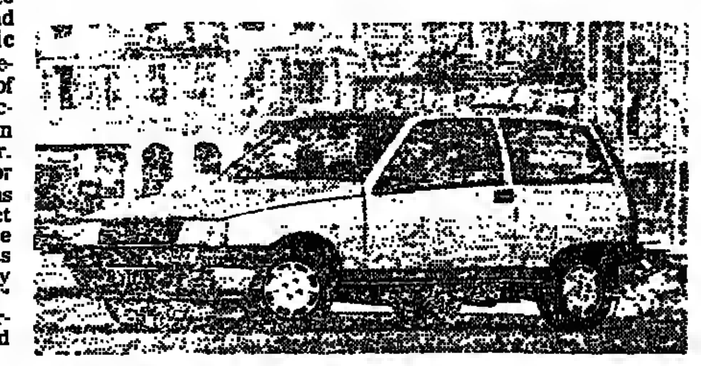
Why hasn't the Y10 done better in he UK? It had a lot going for it. Lancia is a distinguished old name and the Y10 is almost as parkable as a Mini because it is the shortest car in its class.

It has quite a luxurious interior. Two full-sized people sit in it very comfortably and four squeeze in reasonably easily because the roof line is high. And it looks different, with a Victorian cheese-dish profile from dipping bonnet to sharply sawn-off rear end. Prices have been competitive, too: Y10s are listed from £5,696 to £7,420.

Perhaps it looked just too distinctive, so that potential Y10 buyers turned to cars like the Metro, Fiesta, Citroen AX, Nissa Micra and VW Polo instead. Yet, it could so easily have taken the place of those dark-windowed, fat-tyred and tarted-up Minis that the bright young things of the Swinging Sixties drove around London's West End. Their children could have been driving Y10s (and getting them wheel-clamped) 25 years on.

Perhaps it is the original swingers' turn again. Now middle-aged, they know an automatic makes sense for town driving and could be persuaded into a small but stylish Y10.

But the Selectronic transmission is not one of the conventional kind, which has a three- or four-speed, self-changing gearbox linked to a hydraulic torque converter. It is a continuously variable transmission, with the drive taken from engine to front wheels by a belt of steel links running over a pair of pulleys which change



The Y10 Selectronic . . . relaxing to drive around town

diameter according to the driver's demands.

The principle is the same as that of the DAF Variomatic of more than 20 years ago, which has been developed into the more sophisticated, continuously variable transmiesion (CVC) availshle in the Ford Fiesta and Fiat Uno. The difference between the Ford-made CVT used in the Fiesta and Uno and the Y10's is that the Lancia system is Japanese. It is made by Fuji Heavy Industries, is available already in the Subaru Justy, and incorporates an electro-magnetic clutch.

This clutch is used only for taking off from a standstill and is completely antomatic. All the driver does is press the accelerator and the ECVT (electronically continuously variable transmisslon) takes care of everything.

It chooses exactly the right ratios for maximum acceleration, economical high-speed cruising, or anything in-between. Because of its efficiency, the two-pedal Y10's fuel consumption is only 3 per cent heavier than one with a normal five-speed gearbox. (Usually, small-engined, two-pedal cars are anything up to 10 per cent thirstier than their manual equivalents). And it has slightly better acceleration.

There is another benefit. The magnetic clutch means that the Selectronic is the only two-pedal car I know that doesn't try to creep forward when you stop in traffic.

I drove the Y10 Selectronic last week in the south of France. Even in November, the Promenade des Anglais in Nice was full of aggressively-driven cars.

Being first away from the lights seems to be an obsession with local motorists. The little Lancia must have surprised quite a few of them by leaping away so smartly that it left them standing.

In the hills, the extra "L" (for low) setting on the selector lever came in handy. It provided extra hraking on sharp down-grades and kept the engine spinning faster than normal for faster progress up steep hills.

The Y10 Selectronic is powered hy a 1.1-litre, fuel-injected Fiat FIRE engine. (FIRE stands for fully integrated robotised engine: it is made almost without human hands coming near it).

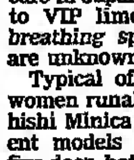
A sensor, such as that used on engines with catalytic converters, analyses the exhaust gases continually and adjusts the fuel system to provide the leanest, least-polluting petrol/air mixture. An average consumption of about 48 mpg (5.8 l/100km) is claimed, rising to 40 mpg (7 l/100 km) in town traffic. But you have to get used to the engine running up to maximum revolutions when accelerating hard from a standstill, and then waiting for the car's speed to catch up.

Around town, the two-pedal Y10 is relaxing rather than fussy to drive. On the motorway at 80-85 mph (130-140 kmh), though, the engine growls like a Jack Ruesell catching sight of next door'e cat.

The Selectronic hae a height-adjustable steering wheel as standard. The UK specification has not been settled yet, so I cannot say how many of tha itams on the options' list will be included. Among them are suede-like *Alcantara seats, power-operated* front and rear windows, sun roof, and a heater with automatic temperature control.

Having two-pedal transmission ia expected to make a Selectronic cost 7-8 per cent more than its manual gearbox equivalent, the 1.1 LXi.e. That suggests a UK total of about £7,250 for this small, easy-to-drive car with a big personality.

Small wonders from Japan



JAPAN'S – and especially Tokyo's – horrendous traffic congestion has spawned a whole breed of tiny cars. The idea seems to be that if you can't build more roads in urban areas, you can make better use of those you have by driving smaller vehicles.

About 1m of these scaled-down hatchbacks are bonght by Japanese motorists, 60 per cent of them women, every year although none is exported. (You see all kinds of cars in Japan, from these tinies to VIP limoueines and fire-*breathing sports* conpés, that are unknown elsewhere).

Typical of these mainly-for-women runabouts is the Mitsubishi Minica range of 15 different models of three-door and five-door hatchbacks, plus one with two doors on one side, one on the other. This, quaintly, is called the Lettuce. Not because it's ideal for nipping down to the greengrocer (even though it is). The name is taken from "The Lettuce Club" magazine, published by the Japanese Seiyu supermarket chain. In Seiyu stores, the Lettuce car is sold, mainly to housewives, along with tha bean curd, green tea and noodles.

The Mitsubishi Minicas, like those of other manufacturers such as Toyota, Honda, Nissan, Subaru, Daihatsu, Mazda and Suzuki, belong to a market sector called *kei*. It is unknown outside Japan but *kei* refers to light, four-wheeled vehicles with engines below 550cc cylinder capacity. That is just over half the size of a British *Mini's* engine.

Prices start from as little as Y500,000 (roughly £2,300) and owners pay only Y7,200 yen (£32) annual registration tax on them. By comparison, a typical two-litre family-size car, such as the Nissan Bluebird, costs £204 to tax. A really big car, such as the Mercedes 500SE, which is increasingly popular among Japanese exectives, costs about £504 a year.

If ever sales of Japanese cars were completely unrestricted in Europe, the *kei* class could aweep all before it. Not only are they exceptional valne: they are also tiny technological masterpieces. But don't run away with the idea that Japan's idea of a cheap, small car is necessarily basic. Quite the reverse. The *kei* cars may only have two- or three-cylinder engines but they are brimful of features that in Europe are confined to high-performance, up-market models.

Take the Mitsubishi Dangan ZZ. Dangan means hullet in Japanese, and it's a fair description of this pint-sized wonder car. Its three-cylinder engine has twin overhead camshafts to operate its 15 valves, fuel injection, a turbo-charger and inter-cooler, and develops an *incredible 64 horsepower* at 7,500 revolutions a minute. Anyone who really knows abont cars might find it hard to believe that such mechanical sophistication can exist in a cheap (about £4,600) runabout.

Nor is that all. The Dangan – and lots of *kei*-class rivals from other makers – can be ordered with automatic transmission, four-wheel drive and power steering, too.

Although the typical Japanese *kei* class minicar is only 2-3ins longer than Britain's 30-year-old Mini, it does not mean they are shoebox-sized inside. At 6ft 2in, I can get behind their steering wheels because they, too, are tall and fairly thin. You sit quite upright, your head nowhere near the roof. I have driven a Dangan containing four normal-size British adults (well, three normal ones, plus me). And when I folded down the back seat, there was space to carry two sets of golf clube plus trolleys.

Perhaps the ultimate convenience package for town driving is the Suzuki Alto. It has a big sliding door on either side and a driving seat that swivels 90 degrees so you step straight on to the pavement. The price: Y727,000, or £3,300.

It's just made for driving – and especially for parking – in downtown Tokyo's Ginza or outside clubs and restaurants in the Roppongi fun-and-eating quarter. One could see it being snatched from showrooms by Londoners if ever it went on sale in the UK.

S. M.

Branch managers battle it out

***Robin Lane Fox** watches a balancing act on some favourite trees*

MY GARDEN has been the scene of a remarkable balancing act recently. I sit and watch while one party tries to fend off foreign raiders, keep a dangling bunch of delicacies just out of everyone's reach, and avoid heing knocked off its perch by gusts beyond its control. This is a merry old drama which happens quite often; by naxt month it will probably be over.

In case you wonder, all this has nothing to do with the Chancellor of the Exchequer in action. It is the yearly bettle for berries on particular trees – a battle fought between the bine tits and the hlackhirds, the wind, and the weight of the branch. Not until late November do the participants set about this tussle. The blackhirds balance on the young branches, beat off the tits and just fail to catch the terminal cluster of berries as the wind hlows it out of their grasp. All economic life is summed-up in the struggle. So long as there *is a foreign breeze, the berries* survive until Christmas, adding to the charm of tha trees that produce them.

These trees are sorbuses, a family which can look rsther curious in an English landscape and has a slightly dubious reputation among keen country gardeners. I have heard them dismissed as suburban, as if there is anything wrong in growing well on the edge of town. Some people think they are common old mountain ashes and cannot see the quality for the more ordinary sorts; the doubters ought to have studied last month'e exhihits at the London RHS ahows where sorhuses from China, America or Kashmir were shown in full berry and out of the reach of blackhirds.

This year, my particular experiment has been the neglected sorbus Americana. It *is an easy tree that will grow* wall anywhere. I admit that the leaf looks rather feathery and the off-white flnffs of flower are a bit much in midsummer but the shape, vigour and berry of this variety are worth any gardener's respect. It was hononred with an Award of Merit in 1950 hnt, since then, gardeners have hared after new varieties and forgotten it.

My aim is to develop a line nf Americanas against a 6ft stone boundary wall where their narrow, upright ahape will rise above the height of the wall without obscuring the light and stopping plants from growing underneath. They are not big trees, and they are not the best eorbus for a eingle specimen, hut they *are* a promising idea for a group or a short line – lightly-clipped, perhaps – which could run between two different sections of a smallish garden.

As a specimen, there is a *charmingly-named* new variety, Chinese Lace, and I would like to be able to report honestly about it. It had the misfortune to find itself planted where I later decided on one of my periodic bouts of bulldozing. The aim was to level some rough grass, shape an adjoining low bank, and remove the humpy platform of turf that disfigures an open space where I have long-term designs on a modest green theatre, edged in box bushes.

Potential bulldozer men swarmed optimistically at the rustle of tenners in an envelope: one of them even went so far as to stake out the exact limits of the job and obliged me to transplant Chinese Lace to a temporary home. It moved off to a very damp, very rich heap of manure and leaf mould

in light shade. The bulldozer man might well have moved to its human equivalent as he never re-appeared.

Others took his place: but despite many protestations of good-will, two thoroughly Irish racing tips (both came last) and a promise of action as soon as the weekends were free, none of them came hack, either. We missed the most perfect going this century for a summer hulldozer. Chinese Lace, meanwhile, stays on the muck heap.

Anyway, if in doubt huy sorbus Joseph Rock and rely on it. None is better in its class and, personally, I can never think of a better genuinely-small garden tree. It grows anywhere to about 12-15ft, will not shade a flower bed too heavily, has prettily-cut leaves and produces a mass of small, yellow berries that most hirds find inedible. It dies away in the most brilliant red-hrown autumn colour. I have clipped and pruned standard trees of it into a elightly formal walk, with great success.

That said, my own Joseph Rocks are also about to have a disturbed winter. I put 20 trees in the onter walks of my five-branched short avenues, which were to be shaped like a goose-foot on the French model (and are mentioned intermittently in this column). Potential owners of such avenues need to be warned that they should not mix two types of tree with leaves of different shapes. Feathery Joseph Rock has looked dull beside the hright, glossy-green leaves of the admirable flowering pear Chanticleer. The pear is better for the job and, for once, Joseph Rock will have to move away from superior company.

Among the grey-green sorbuses, the easiest is Hupehensis, and I have used it effectively as a tree among hedging of tightly-clipped yew. It rises out of the yew and competes with that greedy plant so long as you sink a sheet of corrugated iron (a solid plastic would probably work, too) in order to block the yew's roots from spreading to the sorbus'e patch of ground.

Yew hedging can be planted more widely (at least 3ft apart) than impatient gardeners realise. If you protect one of these grey-green sorbuses by sunken ramparts, it will grow quite quickly and, in time, the yew will branch across its trunk so that it emerges from a dark-green curtain. Nobody can confuse sorbuses of such quality with a common rowan, although I like rowans as well.

If you want the best berries of all, you have to wrap your tongue round one called sorbus Pohuashanensis. This is a Chinese form with upright branches that grew into a thick head about 30ft high. It is robust and very easy and, once you have seen it smothered with the usual bunches of red berries, you will wonder why birds dream of anything else. It is beyond even a halancing blackbird to strip it. But gardeners still ignore it, and I suppose the only good reason has something to do with its truly dreadful name.

Over 50 but still fruity

***Arthur Hellyer** continues to enjoy his pre-war apples*

JUST OVER 50 years ago I planted three little apple orchards, hoping they would help to pay for my new garden. They never did; but during the war years, and for perhaps a decade afterwards, they probably paid for themselves. And they certainly provided me with a lot of interest plus plenty of fruit.

Thereafter, the standard of commercial apple-growing increased so greatly – mainly because of improved pest control – that it became increasingly difficult to sell any fruit that was not completely free of hlemish. With my limited resources and time, it was impossible to compete.

No-one wanted to buy the relativaly small quantities of miscellaneons apples that I grew, and so it was not long before I completely abandoned all idea of getting any financial return from the trees. But I never even thought of grubhing them up, except to the extent needed to deal with disease and decrepitude.

The Cox'a Orange Pippins I bought as maiden trees at a knockdown price the week Chamberlain flew to Munich were the first to be replaced because, once they had rooted down freely into my poorly drained sub-soil, they fell hopeless victims to canker and scah.

They were replaced with a miscellany of varieties including the delicione Ashmead'a Kernel, with a lightly russetted skin of a lovely hrown colour and a sweet and juicy flesh.

Red Ellison was among that list - another apple I have been enjoying recently – and also Rev. W. Wilkes, a cooker that is as satisfying when baked as it is handsome on the tree. Other replacements followed; but dozens of the original planting remain and, collectively, they give me as much pleasure as anything in the garden.

There are two fine half-standards of Crimson Bramley that spread out over the hedge and into the farm lane and are a gorgeous sight in spring, since Bramley hlossom is as large and well coloured as that of any apple. It is just as eye-

A West Country orchard, photographed by James Ravilious

catching for a considerahly longer period in autumn when weighed down with enormous crops of deep-red fruit.

There is also Crawley Beauty, a forgotten local apple with exceptionally wide-spreading hranches. It is impossible to accommodate in commercial orchards, but it is the last apple to flower and one that is almost always wreathed in bloom well into June.

It is also a very reliable cropper because, hy the time it flowers, all danger of frost is over and there are plenty of bees flying to pollinate it.

Crawley Beauty must he highly self-fertile for there is no other apple blossom left to cross-pollinate it. The fruits are red and very beautiful but, usually, there are so many of them that they do not grow to sufficient size to be used much for cooking.

I like my apples baked, and for that I need big fruits such as those of Bramley seedling, Newton Wonder or S. T. Wright, the latter a forgotten apple of astonishing productivity with an unusual weeping habit which, no doubt, keeps tha sap from rising too strongly and so ensures plenty of fruit buds all over. Every good grower knows that you can get an apple tree into bearing much more rapidly hy hanging weights on the tips of the branches, so pulling them down, than by any known method of pruning.

There are lots of other old names in my little orchards; Lord Lambourne, a delicious, tronhle-free eating apple; Annie Elizabeth, a martyr to canker which has eecaped grubbing only becanse it is anchored so firmly into the soil; Browlees Russet; Cutler Grieve; Golden Spire; a little scented apple named Forge (a local variety, I believe, for I have never seen it anywhere else) and others with names I have forgotten.

I write about them today because I have just received a little book called *Orchards* published by Common Ground, 45 Shelton Street Covent Garden, London, an organisation which exists to promote the old and familiar. Neil Sinden has contributed several articles to it and others come from Francesca Greenoak, Roger Deakin, Rebecca Hubbard and Joan Morgan.

The photographs, all from the West Country and all by James Ravilious, make me realise that my little orchards at 50-plus are still quite young and really are cared for rather well. But then, I am a gardener, not a romantic and it hurts me to see any plant left to become derelict or devastated hy neglect and disease.

Quite a lot of the pleasure I get from my orchards comes from the annual pruning, on which I have embarked once again.

It is not the kind of pruning that any commercial grower would try; indeed, none would attempt any pruning of such old and miscellaneous trees, but would drag them out in a jiffy and replace them with a couple of sensihle varieties grafted nnto dwarfing root stocks that would avoid most of tha labour I must now tackle.

Yet, I do enjoy pitting my wits against these trees, each so different in the prollems with which it presents me and finishing np with somathing that seems to me to be beautiful. In this search, I and the producers of *Orchards* share common ground.

Bridge

BOTH MY hands today are alams and come from rubber bridge. Look first at this:

N
♠ K 9
♥ A 8 3
♦ K Q 10 5
♣ A J 9 5

W
♠ Q J 5 4
♥ Q J 10 2
♦ 8 3
♣ 8 7 4

E
♠ –
♥ K 9 7 4
♦ J 7 6 2
♣ Q 10 6 3 2

S
♠ A 10 8 7 6 3 2
♥ 6 5
♦ A 9 4
♣ K

With North-South vulnerable, South dealt and opened with two hearts. North replied with three hearts – which announced trump support and at least one ace – and South re-hid three spades. North now said four clubs. South said four no-trumps and went six hearts when North showed two aces by his response of five hearts. That ended the auction.

West led spade queen. Taking with his ace, declarer made his ace of hearts, crossed to dummy's ace of diamonds and returned the nine, which he ruffed high. Drawing the last trump with his king, South cashed his spade king and crossed to the nine of hearts to ruff dummy's last spade.

With the elimination complete, South played his cluh queen and ran it when West played low. This held, and South continued with the knave. West covered with the king, dummy ducked and East showed out. West was trapped. A clnh return runs into South's split tenace; a diamond or a spade concedes the ruff discard.

If East has the club king, you say, what happens? If the king is singleton, East is end-played; if be can return a clnb, the declarer plays the nine. If it wins, no further problem: if West covers, the suit has hroken.

Now for the second slam:

N
♠ 8 7 5
♥ J 9 4 2
♦ A 9
♣ A 6 4 3

W
♠ Q J 10 6
♥ 8
♦ Q 8 5 2
♣ K 10 8 7

E
♠ 9 4 3 2
♥ 7 6
♦ K J 10 7 4 3
♣ 2

S
♠ A K
♥ A K Q 10 5 3
♦ 6
♣ Q J 9 5

At game-all, South dealt and opened with one spade. Don't look askance – the bid is quite correct. North replied with two no-trumps (the Baron response) which is forcing and shows 16+ halanced points. Sonth re-bid four spades and North raised to six.

West led the heart qneen. Taking with dummy's ace, South crossed to his club king, returned to the diamond queen and discarded his losing heart on the ace of clubs. He ruffed a heart and led a spade. When West produced the four, he finessed dummy'e nine. When this held, he made the king, ruffed a heart, drew West's spade knave with his ace and graciously conceded a trick to the queen.

The finesse of the nine of spades is a safety play against losing two trump tricks, and ensures the slam. If the nine loses to East, the declarer can pick up the ontstanding trumps with his king and ace. If East has all four trumps, South is still in control. He wins with dummy's king and returns the nine. Whatever East does, he can make only one trump trick.

□ *Bridge International* has been taken over by Pergamon Press. A sample issue is availabla in January to any reader who sends 50 pence in stamps to Pergamon Chess, Railway Road, Sutton Coldfield, West Midlands B73 6AZ.

E. P. C. Cotter

TRAVEL – SKIING

IN FRANCE snow is called *l'or blanc* – white gold – because of the way it has helped make the Alpine ski stations so lucrative in the past. But for the last two seasons the name has been merited for another reason. Quite simply, snow in European ski stations has been as precious as gold.

In January, putative skiers were playing golf at Megève while in Morzine it was possible to climb into the mountains to collect flowers. Until March, conditions in many resorts were often atrocious – icy, rocky and dangerous. Clearly, the biggest problem facing European skiers is that the shortage of snow may be permanent. At the end of last season, there were rumours in resort hotels and bars that the global warming caused by the greenhouse effect had already taken hold of the winter seasons making them warmer and drier.

However, the jury still appears to be out on global warming's effect on the European skiing industry. In spite of using supercomputers, the scientists who try to assess the impact of the greenhouse effect on various regions continue to face considerable problems and are far from confident about making precise predictions. Few climatologists are prepared to predict what will happen in the Alps, especially because the region has so many micro-climates.

The least that can be said is that two years of poor snow do not necessarily make a trend. At a conference held last month in Grenoble, by the French Service d'Etudes et Aménagement Touristique de la Montagne, it was pointed out that there have been similarly dry and warm winters in the past. In 1913, for example, shepherds were still grazing their sheep above 2,000 metres at Val d'Isère during January.

But even if the chances are that the snow will be good this year, some ski station managers are not trusting nature alone to guarantee skiable pistes. Instead, they are investing heavily in programmes to alleviate the risk of poor snowfalls – investment programmes which may prove attractive to those skiers who have wrecked two pairs of skis in as many years and remain pessimistic about the chances of decent snow appearing naturally this season.

One of the responses to the lack of natural snow has been to manufacture it. Last season a number of resorts, such as St Moritz, l'Alpe d'Huez, the Trois Vallees and those in the Dolomites, were able to keep people skiing only because of snow-making facilities.

After the experience of last year, suppliers of snow cannons say that many managers of ski stations invested during the summer in equipment to make artificial snow. Much of this investment has been concentrated in Italy, particularly in the Dolomites. The Italian ski industry magazine *Quota Neve* estimates that Sestriere now has 25km of pistes with snow cannons, and Courmayeur has 12km.

What the French call "l'or blanc" (white gold) and the English call "snow"

The cannons are primed for winter battle

***Paul Abrahams** looks at the steps taken by European resorts to combat lack of snow*

The French ski stations appear to have invested less in snow-making equipment this summer. Joel Deraet, head of sales at York, the Lyons-based manufacturer of snow cannons, says this is partly because the communes running the resorts have had two seasons of poor financial results and are now deeply in debt, and partly because of this summer's municipal elections: mayors were unwilling to commit themselves to large investment programmes before submitting themselves for election. Nevertheless a number of stations, such as Les Arcs in the Tarantaise and Morzine in Haute-Savoie, have put in systems during the summer.

Swiss and Austrian resorts, says Deraet, have been even slower than French ones in installing snow-making systems because of the difficulties in obtaining planning application.

The purpose of snow-making machines is to increase the length of the skiing season. In theory, it should be possible to create a base during the cold nights of November and December before the first natural falls. This should reduce the chances of natural snow melting when it does fall and improve the quality of the pistes, covering stones that can all too easily gouge the bottom of skis and cause accidents. In addition, the snow cannons should be able to lengthen the skiing season well into May.

However, skiers should be aware that the existence of snow-making equipment in a ski station does not *guarantee* good skiing. Many of the resorts with such installations have poor snow records anyway, and although skiing on man-made snow may be better than skiing on rocks, it can be hard and unforgiving.

One final point worth making about snow cannons is that they are only able to operate in certain conditions. The cannons work by pulverising water as it is passed through tiny nozzles. The water droplets are sprayed out into the cold air where they crystalise into snow.

The problem is that this crystalisation process only occurs at low temperatures and when there is little humidity. The snow cannons need temperatures of at least −2°C with less than 60 per cent humidity, or −4°C at 100 per cent humidity. Otherwise, the snow does not form, or it melts again before hitting the ground. A study by the French Centre National de la Recherche Scientifique showed that the chances of the right combination of humidity and temperature occurring during November and December in the northern Alps were almost as low as natural snowfall.

Another area where ski station managers are investing is in laying grass on the pistes. When the purpose-built resorts were built in the 1960s and 1970s, the pistes were created by bulldozing the mountain sides into shape.

This had the effect of burying what little top soil existed and bringing sterile ground to the surface. The effect of this sterilisation was to create large tracts of land on which there was no vegetation. This was not only unsightly during the summer – incidentally doing little for the non-skiing tourist trade – but also affected the winter snow cover. Snow is far more likely to remain on grass than rock because the grass provides a layer of insulation between the warm ground and the snow.

At the technical session of the Salon International de l'Aménagement en Montagne at Les Arcs this September, one of the most keenly watched demonstrations was that of rock breaking equipment, which breaks up stones before humus and grass seed is sprayed on to the slope. More than 50 km of piste at Les Arcs has been treated this way. The manufacturers claim that by laying grass the resorts can increase the skiing life of a run by about three weeks at the end of the season.

One final method of increasing the possibility of skiing during dry and warm periods which is being investigated by resort managers is to invest in large-scale lift projects. This is based on the principle that if it is impossible to get the snow to the skiers, it should be possible to get the skiers to the snow. The idea is to increase the capacity of the lift system to take people high into the mountains, where snow tends to be more plentiful.

The most obvious example of this has been the series of installations of funiculars in French resorts such as Les Arcs, Les Deux Alpes, Tignes and Val d'Isère. These mountain railways used to be viewed as outmoded because of their cost. However, they remain one of the most affective methods of transporting people high and quickly. The larger resorts are also investing in other systems such as bubble lifts and detachable chair lifts.

In conclusion, then, those pessimists or realists choosing a resort for December and early January in the expectation that there will be little snow should:

■ Choose a resort which has extensive skiing at above 2000m, or even glacier skiing.

■ Look for stations with a good ratio between lift capacity (normally expressed in thousands per hour) and number of beds in the resort on the basis that if skiing is limited to the higher slopes, the lift system can take you there quickly without too much queueing. This information can be obtained from the information department of the Ski Club of Great Britain (Tel: 01 245-1033).

■ Consider choosing a resort which has snow-making facilities, while recognising that such systems may not be able to function in unsuitable conditions.

■ Take an old pair of skis and some decent novels.

Making the going easy

***Martin Dickson** finds a handy way of hiring skiing gear*

HIRING SKIING equipment – usually one of the least enjoyable parts of a holiday – could become easier if pilot schemes under way in the French resort of Meribel prove successful. For the two schemes, run by rival UK companies, each allow the experienced skier to hire equipment in Britain, but take delivery of it at the resort.

Snow and Rock, the equipment retailer, was first in the field. It set up its service, which is limited to three types of racing or intermediate skis, last year and hired out 500 sets. From the start of this season a similar scheme, with a wider range of skis, will be operated by Airport Skis, the UK rental group, in conjunction with Ski Cocktail, a Meribel ski school which specialises in English-speaking clients.

There are normally two drawbacks in hiring equipment when you get to the resort. The first is long queues in the local rental shops on Saturday and Sunday change-over days as everyone rushes to get fitted out and on to the piste.

The second is the dubious quality of some of the equipment: skis that are in the twilight of their natural lives, with rather less edge than a scaffolding pole.

Until now the alternative (apart from owning your own equipment) has been to hire good skis in the UK and take them on holiday with you. It was to serve this market that Airport Skis set up shop at Gatwick Airport nearly five years ago, and very successful it has been.

Last season it did 15,000 rentals from its outlets at Gatwick, Heathrow, Manchester, Dover and elsewhere.

The disadvantage of hiring in the UK is that you then have to lug the equipment all the way to the resort, fighting your way through the pandemonium of Geneva or Munich airports on a Saturday morning.

The new Meribel pilot schemes solve this problem. The skier chooses and pays for his equipment in Britain – whether through Snow and Rock or Airport Skis – and the company then sends a message to its office in Meribel, which sets aside identical, properly serviced equipment for the holidaymaker. In the case of Snow and Rock, the skis are delivered to your chalet, while the Airport Skis equipment has to be picked up from the Meribel offices of Ski Cocktail.

Robert Jaffe, founder of Airport Skis, says that, quite apart from convenience, it is much cheaper to hire skis this way than in the resort. A pair of test skis costs £39 a week to hire through his company, which is well below the local cost. (However, his skis are aimed at the middle of the market and his advice to beginners is to hire locally).

To run its scheme, Airport Skis has set up a joint company with Ski Cocktail, an innovative ski school which has broken the monopoly of the official Meribel school by adopting a more entrepreneurial approach.

Similar change could now be under way in equipment rental, which is a huge and very conservative market. Airport Skis, for example, says that at present it only accounts for 2 per cent of the British ski rental market.

But the figure could grow substantially if the Meribel experiment is successful. Airport Skis and Ski Cocktail are already talking about opening offices in other French resorts, while Mike Brown, who heads Snow and Rock, also hopes to expand elsewhere eventually. However, he says his scheme met considerable "political problems" in Meribel, upsetting the local business community.

Certainly, the new competition will be a shock to many local rental shops, forcing them to compete more aggressively. And that should benefit the consumer. In the long run, says Jaffe, "we could improve standards across the Alps."

Deadly cakes cooked here

FORGET THE avalanches and crevasses. When you're staying in a chalet in a pretty Swiss village like Champéry, there is a danger: Rosie's cakes. When she is in the kitchen, no-one is safe.

You must at all costs avoid returning too early from the slopes or your waist line is doomed. For every calorie you may have sweated off in the mountains, there will be a hundred waiting patiently to ambush you as soon as you slump into a comfy kitchen chair.

Afternoon tea, as taken by Britons in Swiss chalets, is the single most insidiously gratifying facet of a skiing holiday. It is an integral part of chalet life, and after an exhausting day's skiing nothing could be more tempting.

Rosie – pink-cheeked, droll and homely – and other chalet girls like her, can make or break your skiing holiday. She was handpicked by Andrew Dunn, a personable young man who started Ski Scott Dunn only four years ago and seems to epitomise all that is good about the small tour operator (Dunn himself is 6ft 3 ins).

Ski Scot Dunn operates in Champery, Gstaad and Zermatt and like many tour operators has jumped on the American bandwagon by offering ski holidays to Jackson Hole, Wyoming. "Your chalet will be treated as your home by our staff," he tells clients.

Champéry is a delightful old village at the Swiss end of the huge Portes du Soleil area which takes in 15 ski resorts along the Franco-Swiss border between Geneva and Mont Blanc. From the skiing area there are dramatic closeups of the beautiful Dents du Midi, those superb mountains which provide such an enthralling backdrop to the southeastern end of Lac Leman.

Les Portes du Soleil is named after the mountain pass linking the Valais with Haute Savoie above Les Crosets, where the sun's first rays appear before bathing the valley of Illiez.

Champéry is a gateway to 435 miles of pistes across 12 valleys and 24 mountains served by more than 220 lifts, arguably the biggest linked area of its kind in the world. An average intermediate can ski the main circuit – Avoriaz, Les Crosets, Morgins, Châtel and back to Avoriaz – quite comfortably in a day.

A keen skier who gets a move on could visit every one of the 15 resorts, although this might mean missing lunch. This would be a shame because there are some splendid mountain restaurants dotted around, particularly in the Linga Valley. Slightly further afield there is a wonderful clutch of restaurants in the Ardent Valley near Montriond. We ate splendidly at Rhodos.

Officially, passports are not required since the Soleil circuit is also known as "le ski sans frontières," but on very rare occasions a skier may be asked by a customs officer to empty the contents of his knapsack. Smuggling is not completely unknown, with meat, chocolate and spirits finding their way from France into Switzerland.

Sometimes skiers trying to find their way across the border from Avoriaz can find it tricky. It is essential to leave plenty of time, especially if you are contemplating skiing the feared Chevanette or Swiss Wall to get you back to Swiss territory. The long ascent from Avoriaz on a cold, murky, late winter's afternoon is daunting. And since my skiing companion was exhausted after unexpectedly poor visibility and deep, fresh snow had turned the Alpage descent to Avoriaz from a red into a stiff black, we decided to cut our losses and stay the night there.

It was reassuring to find ourselves safe and warm in the bosom of this bustling, space-age French resort. But by the time we had slipped into something more comfortable than our unwieldy ski suits and boots in order to enjoy a restaurant meal, the cost of buying casual clothing and trainers was probably as much as the long taxi journey back to Champéry.

However, having made a temporary home in the Café Le Tavaillon, where Paul Gilbert, the proprietor, took pity on us, we finally scrounged beds for the night from a couple of generous Bladon Lines reps, and were up bright and early to ski back to Switzerland. The Wall down to Les Crosets was not in widow-making form (in fact its reputation is far worse than the reality) and we finally returned shamefacedly to our chalet. Naturally, according to our group, we had missed the best day's skiing and the best dinner and the best party.

■ *Ski Scott Dunn is at 17 Aynhoe Rd, London W14 0QA. Tel: 01-602-8029.*

Arnold Wilson

Diggers beat the pile-drivers to expose Southwark's rich history

***Gerald Cadogan** reviews a decade of archaeological finds and speculates on what lies ahead*

DISCOVERY of the Globe and Rose theatres has made 1989 a vintage year for archaeology in the London borough of Southwark, to which the *Financial Times* moved a few months ago. But not a unique year. Throughont the 1980s, many remarkable finds have given the area south of the river a new history as re-development has quickened and tbe diggers from the Musenm of London's department of Greater London archaeology have trowelled away ahead of the pile-drivers and concrete-pourers.

The work will carry on long into the 1990s as more developments begin. But here is a guide to what the archaeologists have found in Soothwark this decade – and what they will he looking for in the next. (It inclndes the developers' names because none of this would have happened without their co-operation and funding).

The river is where the story starts. A natural route and source of food, it needed bridging and it flooded. Nortb Southwark began as low gravel islands (eyots) in the flood plain. Now mapped as a result of the digs, they explain why the Romans chose to bridge the Thames a little downstream of modern London Bridge.

That is the most northerly point of the islands' "higb" ground and made the shortest crossing to the city (Londinium). Another advantage was that the approach from the south, now Borough High Street, was on this "high" ground. So, the Roman settlement grew around tbe bridgehead.

Top of the 1990s' list of questions will be: Did anybody use the south side of the Thames before the Romans arrived in 43 AD? Neolithic, Bronze Age and Iron Age clues found in the Southwark mud in the past few years suggest there will soon be a complete re-think of the history of earliest London. The evidence? Digging in 1987 at the Bricklayers' Arms railway yard (Ideal Homes) produced Neolithic flint axes 4,000 to 5,000 years old, and a wooden platform that might have been a landing stage or trackway or used for fishing.

More exciting still are the 1988 results from Phoenix Wharf on Jamaica Road (Lister Developments). Parallel marks on a sand and gravel island made hy an ard (an early plough) of about 1200 BC are the earliest clear evidence of crop farming in south-east England. Now, we can be certain that pre-historic people were living and farming right by the Thames. They were also hurying their dead in the area, for a ring barrow has been found just east of London Bridge.

The settlement probably contimed right up to Roman times. There are Iron Age remnants at 15-23 Southwark Street (John Lewis, Courage and Mecca) and un part of the Courage brewery site (Southwark Council) a few yards from the *FT's* new headquarters.

The Romans set about coping with the river. They dug drainage ditches and made timber embankments to control the water in the main channel and the inlets and to provide jetties. They huilt a bridge to take the traffic to London from their two major roads that met in Borough High Street: Watling Street, from Dover, and Stane Street, from Chichester, where King Cogidnbnus had been an early ally (or Quisling) of the Romans. The roads were of gravel, laid on oak and alder logs where the ground was soft.

Southwark probably grew as fast as Londinium, its neighbour across the river. The best recent find has been a large (11m x 4.5m) timber warebouse of about 100 AD at the Courage brewery site, which was then the river hank. Its unusually-strong oak floor, set on joists, could have handled the heavy amphorae of continental olive oil, wine and fish paste that have been found elsewhere in Southwark.

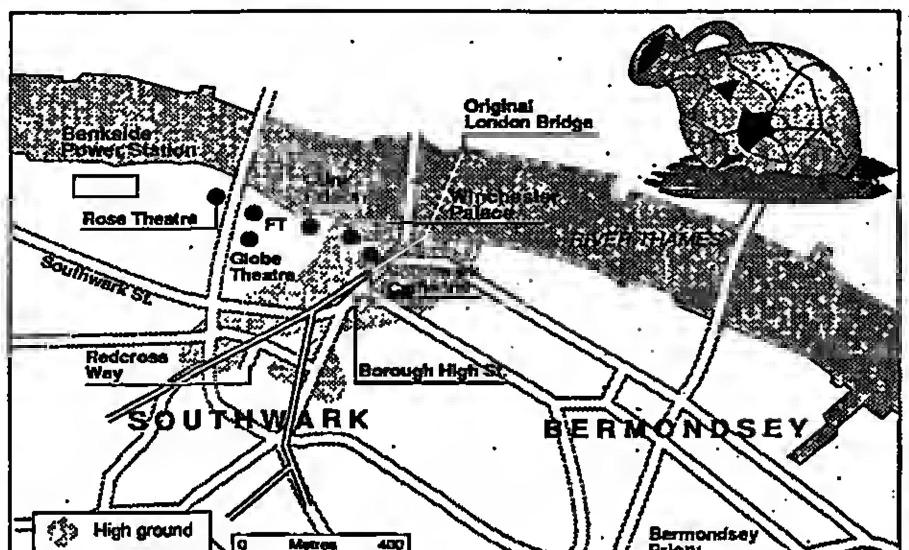
One jar of fish paste came from Antibes (Antinopolis). Also from southern France is the red Samian ware. Some of that was in mint condition when discovered at 179-191 Borough High Street (Hastingwood Property), suggesting it had been unloaded right on the jetty there and was waiting to be shipped on.

Did Roman Southwark have a name of its own? Finding an inscription might reveal that. And, what sort of settlement was it? Military? Civil? Or both? Did it have its own public huildings?

This year provided the first hint that the Roman settlement was planned on a grid system (like Londinium) when a road was found at Redcross Way (Southwark Council) which, if prolonged, would meet another road at right angles.

By about 100 AD, Southwark had grown to 32 acres or more and had acquired grand buildings, which could have been military. At 15-23 Southwark Street was a building with a courtyard 18m across and mosaic pavements. Five rooms with underground central heating (hypocausts) at Winchester Palace, Stave and Rosings wharfs (Eagle Star Properties) belonged to a large building that might have been a bathhouse, again for the army. Late in the 2nd century came wall paintings in an architectural style known from Pompeii, enriched with gold leaf and expensive red cinnabar.

From ths later 2nd century, Roman Southwark started to decline, except by the river. It was the sama story across the river in Londinium. Why this happened is a great unknown. Digs reveal this period as a thick layer of dark earth, suggesting that market gardening had taken over. The river defences began to fall apart: the big, early warehouse was found lost in clay silt. Burials also mark the decline. The Romans liked to bury alongside roads a fair distance outside towns, which is where the early cremations in Southwark are. But late inhumations are found as close in as 15-23 Southwark Street and the Courage brewery, where there had been huildings before. Much of Roman Southwark was abandoned.



Although Southwark and Bermondsey are Saxon words, few Saxon remains have been found, and not nearly enough to match the documentary evidence. Diggers in the 1990s will be looking for any cranny where they have not been removed by later builders. Southwark Cathedral is a Saxon foundation, but we have known since 1977 that it is on top of a Roman shrine of a hunter god, and his dog, who protected the bridgehead as the shrine of St Thomas A'Becket did later.

In the Middle Ages, medieval Southwark catered for travellers and traders heading for London. Borough High Street was crammed with taverns, including the Tabard where Chaucer's pilgrims set out for Canterbury. The Duke of Suffolk and the Earl of Surrey had town houses, as did the Bishop of Winchester. Between the *FT* offices and the cathedral is the great hall of his Winchester Palace. It is as hig as Westminster Hall.

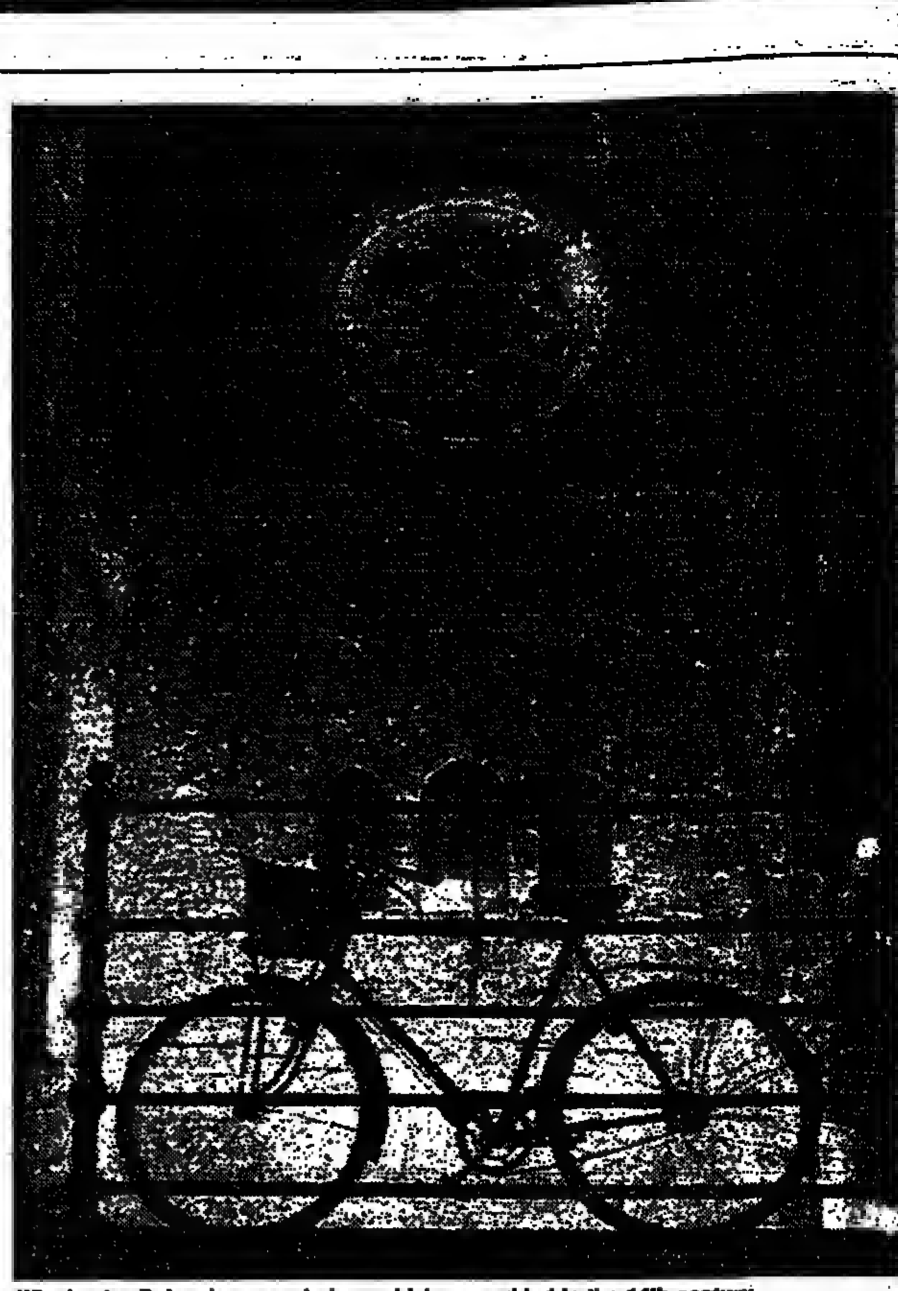
Tree ring dating gives a felling date for its oak beams of 1190-1235. The huilding could have been finished in 1224-25, when it took seven men 15 days to roof it with 7,500 tiles. The beautiful rose window is a 14th century addition.

Winchester Palace bas a magnificent drain of Purbeck limestone – called the Great Gutter in records – which took kitchen waste ont into St Mary Overy Dock for the river to flush away. Another good drain and latrine are in the infirmary of Bermondsey Priory in Long Walk (Southwark Council). They probably discharged into St Saviour's Dock.

The priory drain was of Kentish ragstone, but the supports for the infirmary over tha drain were of stone from Caen in Normandy. Clearly, there was a considerable medieval trade in good stone. The Caen stone might have appealed to the monks from La Charit sur Loire, who founded the priory (later abbey) after William II granted them the manor of Bermondsey in 1089.

In the 16th and early 17th centuries, Southwark was known for its fast life of brothels, pubs, bear pits, the Clink prison and theatres. The pattern of streets hardly changed until the 19th century when the railways were driven through, new bridges were built, and huge warehouses were put by the river.

Potting was a Southwark industry. It had begun in medieval times, when there was probably a kiln near the *FT* building. Then, the potters began to make tobacco pipes; near London Bridge, and at Mark Brown's Wharf on Potters Fields, west of Tower Bridge, and at Platform Wharf, Rotherhithe (London Docklands Development Corporation), there was quite an industry making tin glazed delftware for export as far as America. The Platform Wharf pottery was converted ont of a handsome 14th century manor that probably was built for Edward III.



Winchester Palace's rose window, which was added in the 14th century

On the theatres' front, the last find at the Rose (Imry Merchant Developers) has been a ticket office/refreshment stall used by John Cholmley, partner of Philip Henslowe who built and ran the theatre. The Globe (Hanson Properties) team stopped digging last month and is documenting the results of the preliminary evaluation.

To me, as an archaeologist, the next step there is obvious: there must be a full-scale excavation of the area, for the Globe is so important that anything else would be insufficient. If that means having to remove the rear side of Anchor Terrace (listed Grade II, but looking rather precarious) or digging under Southwark Bridge Road, it should be done. The Globe really is a case of national importance where no effort should be spared.

Will that happen? Hanson Properties and the Museum of London have submitted an application for the site to be scheduled as an ancient monument; now, we must await a decision from the Department of the Environment on the advice of English Heritage.

Archaeologically, there are problems to solve and gaps to fill in every period of the history of London's first southern suburb, the mirror of the City. The co-operation between diggers and developers which has brought such impressive progress must continue.

Excitements lie ahead, for sure. Winchester Wharf is coming up, and there is an application to dig west of the Rose on the site of the Hope theatre. The biggest conundrum is the Bankside power station. How splendid it would be to turn that into a park with a proper riverside walk from Southwark to Waterloo, with some of the best views in London and room for a Museum of Southwark. Already there has been some digging on the site; it has found more pre-history – and Charles I's fish ponds.

When elephants took the place of tanks

***Mani Deb** looks back on an Indian tradition*

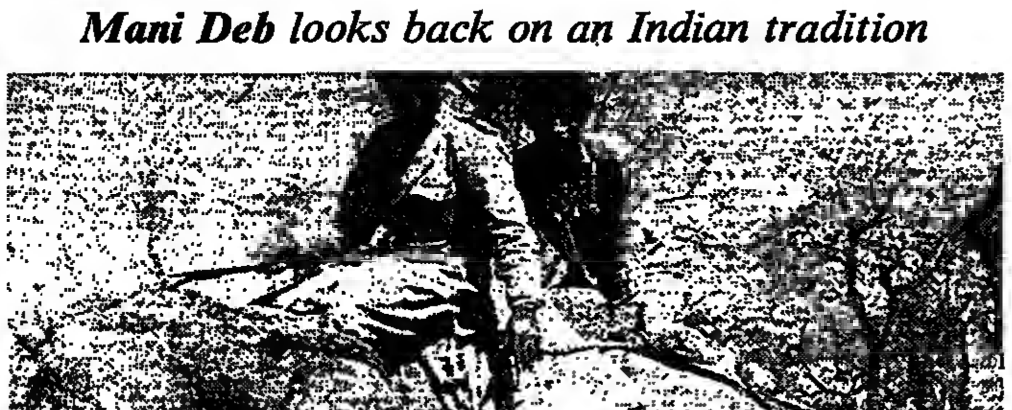
HOKORA WAS a lanky man with twinkling eyes and an impish smile who could, when not high on cannabis or rice wine, recount exciting tales of life among the elephants. He was a *phandi*, an increasingly rare breed of man wbo knew the art of catching and training elephants and was in charge of hunting elephants owned by my father, the Raja of Bijni. Over two decades, he caught around 100 elephants in the jungles and hills of the Brahmaputra valley.

In 1978, the future of *phandis* was cast into donbt when the Indian Government banned elephant-catching in order to conserve the species. Wildlife experts in the states of Assam and Meghalay want the ban rescinded so that the fast-increasing elephant population can be thinned-out and the demand for working animals met. But the Government and the states are deadlocked over the issue, mainly because of financial arguments, although there is bope that a solution can soon he found.

It was a special treat as a boy to visit the *shikar* depot camps in the winter with the snow-clad Bbutan hills to the north. I remember the melodious chant of mahouts as wild elephants, harnessed to tame ones, received tbeir training. The tradition went back thousands of years.

Since ancient times, the tropical forests of nortb-eastern India have been one of tbe chief sources of elephants – whether for warfare, bunting, travelling, ceremonial occasions or timber operations. A trained elephant was a valuable multi-role asset which could be used as a bulldozer, a Land Rover or, when decorated and caparisoned, as a Rolls-Royce for special occasions.

In the history of Assam, a defeated raja always bad to include up to 100 elephants among the tribute to be paid to the conqueror. Battle elephants were prized tuskers, and their reputations were sometimes enougb to strike terror in the enemy, just as a tank force might.



A *phandi* and his mahout ride their *koonkee* with a newly-captured wild elephant alongside

When one of my ancestors was defeated by Moghul forces and taken to Delhi in 1612, Emperor Jahangir gave him back his kingdom for a large sum of money and a tribute of a few elephants. Maharaja Parikhit Narayan got off lightly, for the emperor is said to have been told in a dream that his bostage was a direct decendant of Shiva, the Hindn God, and should be treated well.

In the Assamese method, a *phandi* and his mahout ride their trained elephant (known as a *koonkee*) to track a herd of wild elephants. Sometimes, they ride for days, camping by night. Avoiding dangerous bull elephants carefully, tbey approach a herd stealthily and, as it scatters, chase and throw nooses over tbe sub-adults. Often, tbey have to ward off defending mothers. Captured animals are taken to the depot for training; then, the *phandi* returns to tbe jungle to seek further prizes until the strictly-imposed quota for the season is reached.

Under this method, known as *mela shikar*, there is virtually no mortality – unlike the *kheda shikar* practice when whole herds are driven into strong wooden stockades. After the dominant adults are heaten into submission, tbe more suitable animals are extracted for training.

Basic training takes two to three weeks although the older tbe elephant, tbe longer. Hitcbed to one or two tame animals it is taught to walk, stop, turn and reverse while a boy perched on the neck gives the basic commands vocally and with leg pressure behind the ears. The more complex commands, which depend on the specialist task of the animal – whether for travel, hunting or logging – are taught later, after the animal has been sold. It is not trained to do undignified tricks to entertain people unless destined for the circus.

Training sessions are punctuated with exaggerated praise for the young elephant and traditional songs extolling its virtues or those of the *phandis* themselves. Each night, by the light of the campfires, everyone joins in singing and stroking the animal, which gets used gradually to the human touch and voice.

The most newly-caught elephants are bought by professional dealers and taken hy truck or rail more than 400 miles to the annual animal fair – called the *Son Mela* – at Sonpur, in Bihar State, where thousands of animals from goats to camels and elephants are bought and sold each winter. Of late, however, the *Son Mela* has seen few new elephants. Last year, those on offer were said to be mostly rejects: too old, lame, or unfit in some other way. It was like finding only old bangers at the Motor Show.

There is a demand for at least 100 trained elephants a year in India today, according to A. J. T. John Singh at the Wildlife Institnte of India. Apart from tourism, logging operations and ceremonial needs at weddings and temples, they are also required by tha forest department for patrolling wildlife reserves and helping conservation. The high demand is reflected in the price of a fully-trained animal: nearly 100,000 rupees (£5,000) today compared with 10,000 rupees 10 years ago.

Being a migratory animal, the elephant population in the Assam region varies from 3,000 to 6,000 according to the season, says S. Dab Roy, the state's chief conservator of wildlife. This slight increase, along with the shrinkage and fragmentation of habitat, has led to constant conflicts with humans. On average, 50 people are killed by wild elephants every year in Assam alone. Deb Roy feels at least 100 animals should be captured hy *mela shikar* and sold or translocated to ease the problem.

Tha Indian Government is willing to allow elephant-catching again but insists it should be done by the state's forest department, not private operators. Deb Roy finds this financially impractical, as the expenses for organising and obtaining *koonkees* and between 25-30 *phandis* would mean each new elephant costing 92,000 rupees to capture and train.

The jungle is not the only source of elephants, though. Some are born in captivity, providing the parents are not worked much and are given sufficient "leisure" time to indulge for breeding. One such lucky owner is Bhubon Chowdhury whose elephant, Giribala, has calved twice in the past 10 years. Chowdhury's three *koonkees* are used for logging, to earn enough for their keep. But he really longs for the return of *mela shikar*: it is not so much a business as a romantic way of life, he says.

If Hokora had been alive today, he would have sgreed. But the days of pomp and grandeur are over. The richly-embroidered velvet and silk trappings that once decorated elephants during festivals lie mouldering in disused buildings at home. The *houdas* and iron shackles are rusting, and ths bells that heralded their stately approach are now silent forever.

The Genius of the Place

Life cut short in the flower of creation

WHEN THE cat is run over, or when our lovers leave us, there is always the tiresome consolation that life goes on. And so it does, for most of us. But imagine being robbed of that. Think how we should conduct ourselves if life was abbreviated suddenly by bad health.

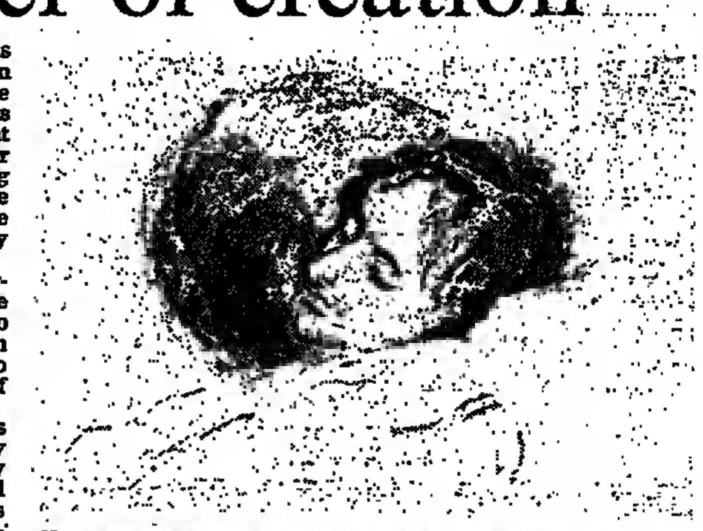
Some of us might resign ourselves to nothing but, more probably, we should begin to race – to anticipate the finish by an all-out effort, or try to leave behind some trophy of our existence.

To invent such intimations of mortality is a necessary means of access to the poetry and letters of John Keats. Aged 15, he sat by the bedside of his mothar as she died of consumption at the age of 35; he attended the deatb of his younger brother, Tom, also from consumption.

When one night, early in 1820, he began to cough hlood, he knew what he must have suspected already: "That drop of hlood is my death warrant; I must die."

There is an irony in his medical apprenticeehip which, doubtless, he perceived himself: a fellow student remembered Keats as "an idle, loafing fellow, always writing poetry." But the abandonment of surgery at Guy's Hospital for poetry in Hampstead was a genuine act of faith by a dying man bent on leaving the world different from bow he had found it. "Right Jack Health, honest Jack Health, trua Jack Health – banish Health and banish all the world."

For those of us whose world has not been banished, Keats might appear as no better than the arch-Romantic, feeding off the very frailty of his own flesh. Yet, his poetry is precious and about beauty in the best sense.



Keats on his deathbed sketched by a friend, Joseph Severn

Keats was not the cultured aesthete: the Elgin Marbles are wondrous, but equally wondrous is the sparrow jinking about on the window ledge. Nor did the intensity of his vision blind him to the less-than-beautiful: in one of his pieces of doggerel (which editors list as "Trivia" in the Collected Works), he lists things that are vile: taking tea with a maiden aunt, heer-swilling louts, cold coffee, and Wordsworth's sonnet on Dover ("Dover! Who could write upon it?").

I like his pungent eulogy to "Wine, women and snuff" and I like him for his hour-long fist fight with a beefy bntcher's boy whom he encountered torturing a kitten.

Keats first went to Hampstead in 1816. Hampstead's soubriquet, "The Vale of Health," was not, of course, coined to denote its present super-abundance of beans, lentils and herbal teas. What is now London NW3 was in 1816 a rural place, at a decent remove from sea level, offering prospects of hay-making and where the nightingales sang in "clump-wooded glades."

Keats began by sleeping on the sofa of his early mentor and publisher, Leigh Hunt; he then lodged (along with his two hrothers) at Well Walk, in the house of a postman. It was a place notable for both the noise of the postman's children and the smell of their socks: thus, Keats moved in 1818 to quieter premises in Wentworth Place, newly-built by two acquaintances.

He rented a portion of the house for £5 a month: it stands today as a museum and shrine in Keats Grove, and remains invested not only with many of the poet's material associations (including a cob-webbed wine cellar) but also a spiritual presence. Sparrows still peck about in the gravel outside.

Here, Keats wrote most of his mature poetry (if a boy barely out of his teens might be judged mature), and here he first met Fanny Brawne, who lodged at Wentworth Place for a brief period before moving with her mother to nearby Downshire Hill. Fanny is a vignette: her profile is coquettish, hut she is never more than a cut-out or shadow. His letters to her are prose poems, models for the emulation of all young lovers; but the phrase he used to excuse the faults of his poem *Endymion* might as well have been applied to his relationship with her: "a feverish attempt, rather than a deed accomplished."

Keats did not die in Hampstead hut in Rome, at the age of 26. His grave in the Protestant cemetery is a haven for violets. There lies one who, even when alive, thought of himself as living "posthnmously." But the curators of the Keats-Shelley memorial, just by the Spanish Steps in the Eternal City, are struggling to keep the room where Keats died as a place of posthumous homage; and Camden Borough Council in London, which oversees the Keats House in Hampstead, has cut funds for upkeep by 50 per cent.

Still, I suppose we should not be too hard on the people who take these decisions; they are only acting in the spirit of our age. Besides which, there are, no doubt, greater claims on council money than the relics of a consumptive poet. Who, after all, needs Keats?

■ *For those who do, the Keats House in Hampstead is open Monday to Friday (April-October 2-6pm; November-March 1-5pm); Saturdays 10am-1pm, 2-5pm; Sundays 2-5pm.*

Nigel Spivey

PROPERTY

An art collector has restored Marylands, at Hurtwood, Surrey, as it was when designed by Oliver Hill

Homing in on art

***Michael Hanson** on a fresh idea in collecting*

COULD the idea of collecting habitable works of art by great architects be catching on? It certainly seems to make sense to Peter Palumbo, chairman of the Arts Council.

He has owned Farnsworth House, designed by Mies van der Rohe at Plano, Illinois, since 1968. A few years ago, he bought The Hagan House at Chalkhill, Pennsylvania, by Frank Lloyd Wright and last year he paid nearly £2m for Le Corbusier's Maisons Jaoul at Neuilly-sur-Seine, Paris, which he is now restoring.

In Britain, Palumbo prefers the Georgian elegance of his 700-acre Bagnor Manor estate in Berkshire and the Ascrib Islands off Skye, where he plans to build an underground house to avoid spoiling the environment. However, an American art collector, Stanley J. Seeger, seems to have taken a leaf out of Palumbo's book by acquiring houses in Britain that are modern works of architectural art.

Three years ago, having sold Sutton Place in Surrey to Fred Koch, a fellow American art collector, Seeger bought the Deanery Garden at Sonning, Berkshire, one of the finest works of Sir Edwin Lutyens (1869-1944). After running into a spot of bother with the local authority for liming the golden oak beams and panelling of this Grade I listed house, to make e white background for his magnificent modern paintings, Seeger restored the house and sold it last year for around £2m. It has just been resold.

Now another house in Surrey is being offered for sale by an offshore company that is believed to be linked with Stanley Seeger. This is Marylands, at Hurtwood, designed by Oliver Hill (1887-1968). The interior, with its massive stone pillars, arched openings and open-tread oak stairs, has the originality and quality of Lutyens (whom Hill idolised and asked to join as an articled pupil in 1905, but was advised to work for a builder to get a knowledge of materials).

The exterior is entirely Hill's: asymmetrical and idiosyncratic, but memorable for its roof, which would seem Spanish if its glazed pantiles were red, but they are blue-green and were imported from Sweden, as was the central marble column in the south window of the drawing room. Many 1930s details survive at Marylands, and others have been painstakingly restored by Broadway and Malyan, the architects in Weybridge, Surrey.

The last owners filled in Hill's ornamental pool on the terrace, but it is now reinstated and the pair of Royal Doulton green terracotta frogs that used to stand at each end have been replaced by replicas made in Zurich. A ground-floor loggia, which had been converted into a morning room, its arches filled with plate glass, has now been restored, as has the "sleeping loggia" outside the master bedroom on the first floor.

Even the intricate glazing bars of the dining room windows have been reinstated. Such attention to the detail of the architect's original conception is remarkable enough, but it is made even more so by the fact that Marylands is at present unlisted. Waverley District Council, which is assidnous in its guardianship of Lutyens' houses, should act promptly to protect this fine work of Oliver Hill's for posterity.

The house may not be to everyone's liking, but it is a wonderful example of its time and typical of the man who is described on his mamorial as "architect and lover of life," and in Alan Powers' catalogue to a commemorative exhibition of his work earlier this year as "a quintessential figure of the inter-war period, a dabbler in many styles and a brilliant architectural decorator."

Marylands is for sale at £1.75m, with 30 acres of gardens and grounds enjoying superh views over the Weald. Winkworth (tel: 01-738-8794), is joint agent with Browns of Cranleigh (tel: 0483-267070). This particular speculation in habitable art has not been profitable, for Timber Trustees, a Jersey registered company, paid about £1.5m for the house nearly three years ago before embarking on its expensive restoration. It cost £15,000 when completed in 1930.

Those who would like to collect a minor work of Lntyens have two opportunities at the moment. Snmmers, at West Clandon, Surrey, was an old farmhouse that Lutyens remodelled in 1902, creating a new kitchen, adding a lofty music room with the master bedroom above, converting an outbuilding into a cottage and turning the cow hyres and pigsties into a cloistered loggia. Later, in the 1930s, Baillie Scott (1865-1945) made a new front door and entrance hall in place of the pantry, replanned the kitchen and secondary bedrooms above and built a thatched summer house in the garden.

The summer house fell down three years ago, as has half of Lutyens' cloistered loggia. The kitchen has been completely replanned again hy the present owner, Vivienne Neves, the model who caused a sensation hy appearing nude in an advertisement in *The Times* in 1971. She bought Summers four years later from Sir Austin Anderson, a director of P & O. Still a very beantiful woman, but now confined to a wheelchair because of multiple sclerosis, Neves has let the house in recent years to tenants such as actor Marlon Brando and singer Boy George. Now she is selling it with 4.25 acres of gardens and paddocks for £900,000 through the Guildford office of Savills (tel: 0483-576551).

The second Lutyens house on the market is one of his earliest works: East Lodge, at Shere, Surrey, built in 1894 for Sir Reginald Bray, tha Recorder of Guildford, who lived in the manor house at Shere and went on to become a High Court judge. The three-bedroom lodge is a gem, listed as a Grade II building for its architectural and historic interest and possessing in miniature many of the details that Lntyens would use later oo much grander bouses.

It is for sale at £260,000 through the Shere office of Nationwide Anglia King and Chasemore (tel: 048-641-2696). Greyfriars, a house on the Hog's Back io Snrrey, was designed in 1896 by another individualistic architect, Charles Voysay (1857-1941), for the Victorian novelist Julian Sturgis. Its terraced gardens were designed for a subsequent owner in 1913 by a contemporary of Lutyens, Sir Herbert Baker (1862-1946).

It is for sale with 48 acres at £1.75m through Hamptons' Guildford office (tel: 0483-572864). A house that could be – and has been – mistaken for a work hy Lutyens is Rystwood House at Forest Row, East Sussex. This eight-bedroom house is for sale with five acres for more than £750,000 through the Tunbridge Wells office of Knight Frank and Rutley (tel: 0892-515035).

It was designed in 1913 by William Curtis Green (1875-1960) who won the first prize in a competition for "a small country house of a dignified sort." The judges were Sir Lawrence Weaver, Peter Morley Horder – and Lutyens himself.

Check those 'bargains'

THERE WILL be 170,000 extra new homes to choose from hy the end of the year, according to the housebuilding forecasts of The National Economic Development Office's Joint Forecasting Committee for the Construction Industry.

Add in the unsold proportion of 1988's 181,000 completions and that's around 200,000 new, or at least newish, homes on offer.

In a slack, buyer's market, the sales pressures behind every one of these new properties is much the same as for a distressed resale property.

Except where a temporary switch from sale to rental can provide some cover for the financing costs, developers have no more use for a completed, unsold property than an existing owner who has no choice but to move for one reason or another.

That's why Michael Robson, managing director of Andrews Estate Agents, warns against becoming too enamoured of the current crop of sales incentives.

"Although the inducements initially may seem attractive, and some are quite outrageous, at the end of the day the buyer ends up paying for them," he says. "The owner of an existing house is rarely ahle to offer a car . . . or a holiday in the Bahamas, but he is willing to negotiate worthwhile price reductions . . .

"Even a price reduction on a new home is only a reduction in the builder's profit . . ."

John Brennan

There's life in suburbia

NAIRN Constrnction's 14-apartment Langham Court hlock in Putney Hill, SW15, confirms that there is life in the suburban London development market, given a reasonable balance of price and quality.

Joint sales agents Hamptons (tel:01-788-0031) and Scotts (01-788-3415) had six of the 125-year leasehold units, priced from £95,000 to £275,000, sold or under offer within weeks of the release of the scheme.

The block, designed by John Assael & Partners in a three-quarter acre landscaped site, is a classic example of the self-contained, secure suhurban schemes that the London Property File reports as still selling well, often in spite of, rather than because of, tha local neighbourhood."

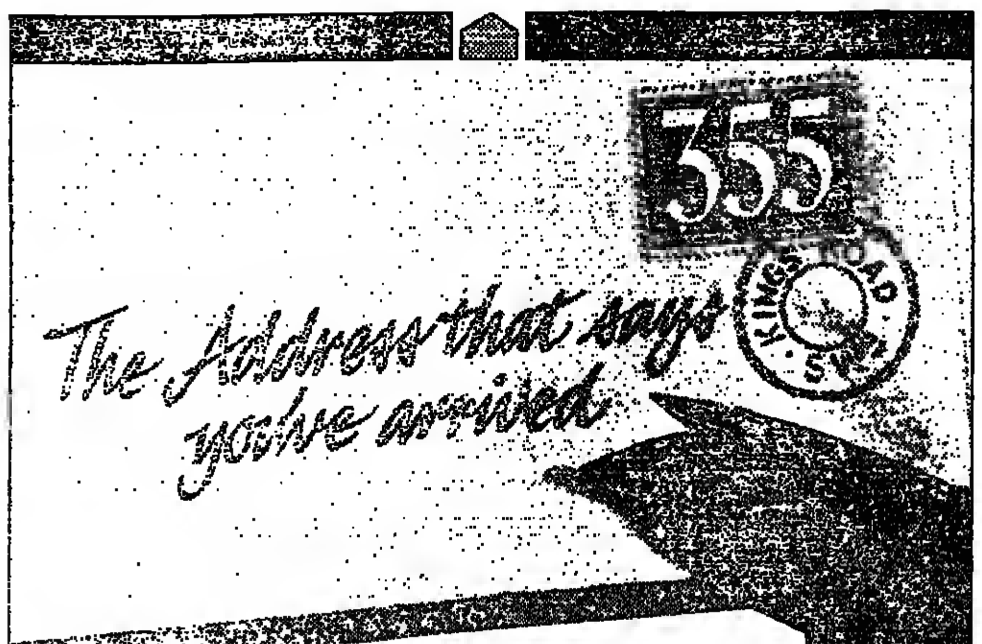
Following that through, the Property File argues that the best valne development sites and best value homes can be judged hy travel-to-work time rather than historic locational preferences.

Taking four roughly equidistant areas from the City and West End, they show that you would currently pay three times as much for the same two-bedroom apartment in E9 as in NW3.

Assuming developers can make a scheme sufficiently self- contained to attract huyers, areas such as Bow and Brixton, Victoria Park and Homerton heat Hampstead, Highgate or outer Kensington values hands down.

JB

LONDON PROPERTY



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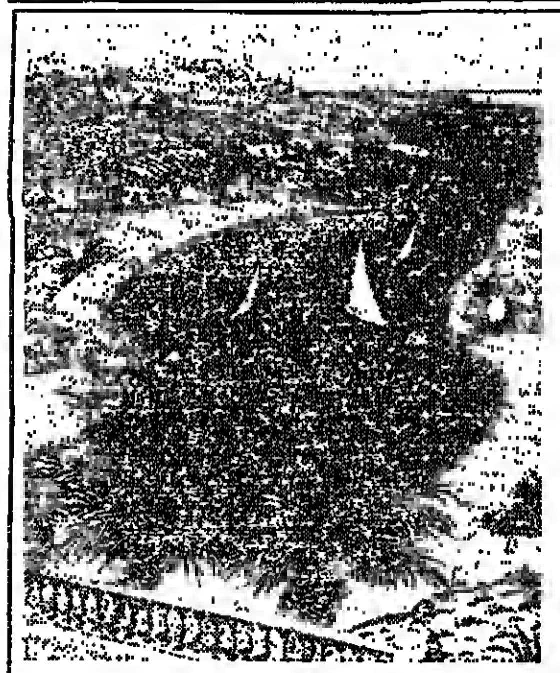

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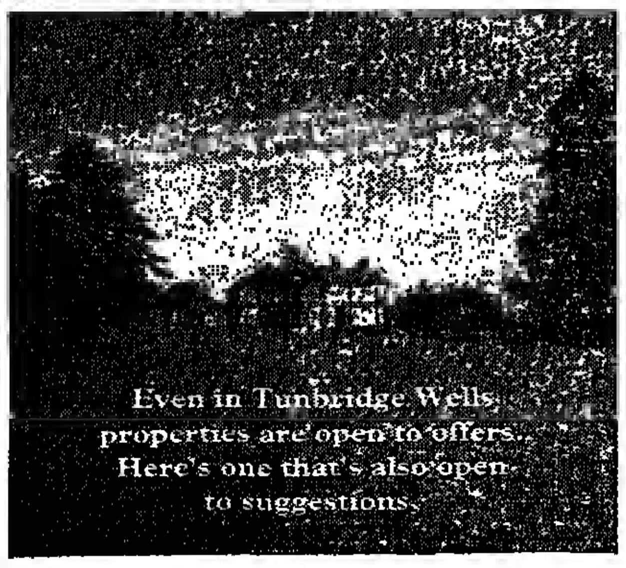

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SURREY & SUSSEX

LONDON PROPERTY

My book of the year

Our reviewers choose the books published this year that they have most enjoyed reading

■ AS A Florentine resident born in Italy nearly 85 years ago, I was particularly fascinated by Denis Mack Smith's Italy and its Monarchy (Yale UP, £19.95) which offers an original survey of the Savoyard kings who ruled Italy between 1861 and 1946. I can think of no more scholarly and original account of this neglected subject.

Harold Acton

■ Thanks to Julian Barnes, many of us now feel intimately acquainted with Flaubert, but in my case this intimacy has been put on a more solid foundation by Herbert Lottman's Flaubert: a biography (Methuen, £17.95). *The* biography would be more accurate, since it is hard to envisage this authoritative, detailed, nourishing work being superseded for several decades. Rooted in a proper sense of place and history, this scholarly evocation of a personality both great and ignoble, brilliant and obscure, should reach an audience well beyond the already-assembled ranks of the Flaubert industry, since it is also compulsively readable.

Gillian Tindall

■ The most remarkable new book which I have read is Danube by Claudio Magris (Collins Harvill, £15.00). This is a description of a journey down the river valley, which starting out as topography, turns into an impassioned intellectual meditation on the great flowering of Danubian culture which used to centre on Vienna. The author is a Triestino — that is, practically an Austro-Hungarian — and his knowledge of Central Europe is vast.

Anthony Hartley

■ I particularly liked The Man Who had All the Luck, an early play by Arthur Miller, not previously in book form (Methoen, £11.99 or £5.99 paperback). Miller has rewritten the ending 20 times since the play's first (and so far only) staging on wartime Broadway, and it is evidently one of his favourites. As in classic Miller the dialogue vividly reveals the interior morality which drives the characters, each of whom is distinctively individual. The same high ambition can be seen in The Golden Years, another unpublished play which takes precedence in the Methuen volume. Using the fatal encounter between Montezuma and Cortes as the setting for his drama, Miller explores the fascinated attraction and passivity with which the western democracies regarded the fascist threats of the 1930s.

William St. Clair

■ I read Michael Frayn's The Trick of It (Viking, £11.95) across 100 pages or so of the *New Yorker*, and of course I didn't know who the author was until the last page. Then there were reviews in the British papers and I had to buy a copy to see if there was anything the magazine publication had left out.

Generally I avoid novels about writers because they make me try to identify the characters. But in this book I don't see Frayn, or anyone I know, in his first-person narrator, or the recipient of his letters in Australia, or the writer about whom they are written. I might identify them if I moved in different circles, but I am happier to see them as people in a delightful book.

B.A.Young

■ Two first-class biographies of 17th-century Englishmen of great interest and individuality — that of Algernon Sidney by John Carswell (John Murray, £18.95) and thet of Sir Thomas Roe 1581-1644: A Life by Michael Strachan (Michael Russell, £19.95) — make this a bumper year and a teasing choice. Sidney, diplomat, soldier, parliamentarian, political thinker and Whig martyr, is the arcbetype of the left-wing aristocrat, irascible, fearless, difficult and attractive. Roe is a man of even greater versatility and achievement. Explorer in Guyana, ambassador first to the Great Mogul and then to the Grand Turk, MP, courtier, diplomat to every European country, economist of originality and distinction. Both books are a pleasure to read.

Richard Ollard

■ Mine is a biography. Margarete Buber-Neumann's Milena (Collins Harvill, £12.00) is a deply touching life of Kafka's friend Milena who died in Ravensbrück concentration camp in 1944, only a few weeks before the invasion of Normandy. It is written by a fellow-prisoner who, as a German Jewess, had been handed over to the Nazis by their Soviet allies during the years of the Molotov-Ribbentrop pact, and it is the memorable record of a brave woman whose company never ceased to be a delight, even behind barbed wire.

George Watson

■ Best first novel this year must surely have been Terence Blacker's Fixx (Bloomsbury, 12.95). It charts the career of a Thatcherite wide boy from modest beginnings in Biggleswade. Fixx is the common man made good, in fact, a yuppie *par excellence*. The novel is far from perfect; the author's humour is mildly repetitive — but it's a well-intentioned satire nevertheless, with plenty of good laughs, and you can't ask for more than that.

Nicholas Best

■ I don't know that it was precisely pleasure, but the book that interested me the most this past year was David Irving's biography of Göring (Macmillan, £16.95). I do not share Irving's eccentric point of view: for one thing he has rather an anti-British angle, and he is too favourable to the Nazi thug. After all, Göring was a murderer — he master-minded the murders of scores of opponents and comrades alike in the Night of the Long Knives, 30 June 1934. But Irving has done a lot of research and added some new facts to our knowledge of that disgraceful era.

A.L. Rowse

■ Janos Nyeri left Hungary in 1956, and as a boy he must have lived through events very like those described in his novel Battlefields and Playgrounds (Macmillan, £12.95). I found this a very vivid recalling of a childhood of persecution in the Hungary of Admiral Horthy and then the German occupation. Jozska is the child in question, a splendid little daredevil, perhaps too much so. Few can have come through like Nyeri, with a spirit still so defiantly on the side of life.

David Pryce-Jones

■ Linda Colley's Namier (Weidenfeld & Nicolson £14.95) is a sympathetic, well balanced and long overdue reappraisal of a man who once dominated the historical scene and is now sometimes quoted but seldom read. Professor Colley, known for her own work on 18th-century Britain, is too young to have participated in the fierce and acrimonious debate which greeted Namier's assaults on the Whig interpretation of history. But her judicious study of this abrasive man rescues what is original, important and lasting in the Namier legacy. Sir Lewis was both influential and unforgettable; Colley suggests why.

Zara Steiner

■ I most enjoyed Peter Hennessy's Whitehall (Secker & Warburg, £20.00) — a remarkable synthesis of historical information and contemporary journalism of a high order. The author traces the record of the British civil service from Norman times through Henry VII ("a civil servant's ideal"), William Cecil and Sir Charles Trevelyan to Sir Robert Armstrong and Sir Robin Butler. He writes more accurately than most chroniclers of the contemporary scene and more readably than most historians. He skilfully mixes anecdotes, recorded interviews, official records and personal judgements. No-one else would have attempted such a book.

Douglas Jay

■ I especially enjoyed the revised and expanded version of Solzhenitsyn's book August 1914: The Red Wheel 1 (The Bodley Head, £18.95). In the original version, as it appeared in 1971, the Battle of Tannenberg formed the centrepiece, and it still does here. But in order to probe the weaknesses in Tsarist society which led up to that terrible defeat, Solzhenitsyn has drawn vivid portraits of some of the main actors in the anticipatory drama, including those of Nicholas II, of his Prime Minister Pyotr Stolypin, whose reforms might have saved Russia from the mounting tide of anarchy and violence thet culminated in the October Revolution and of Stolypin's assassin, the young Jewish lawyer, Bogrov.

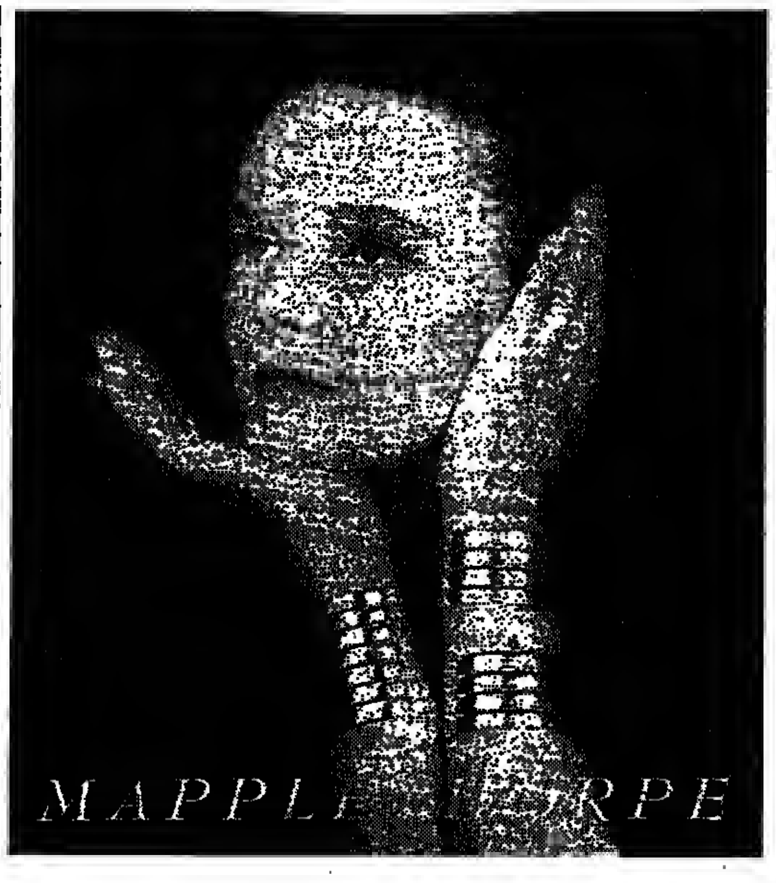
Erik De Mauny

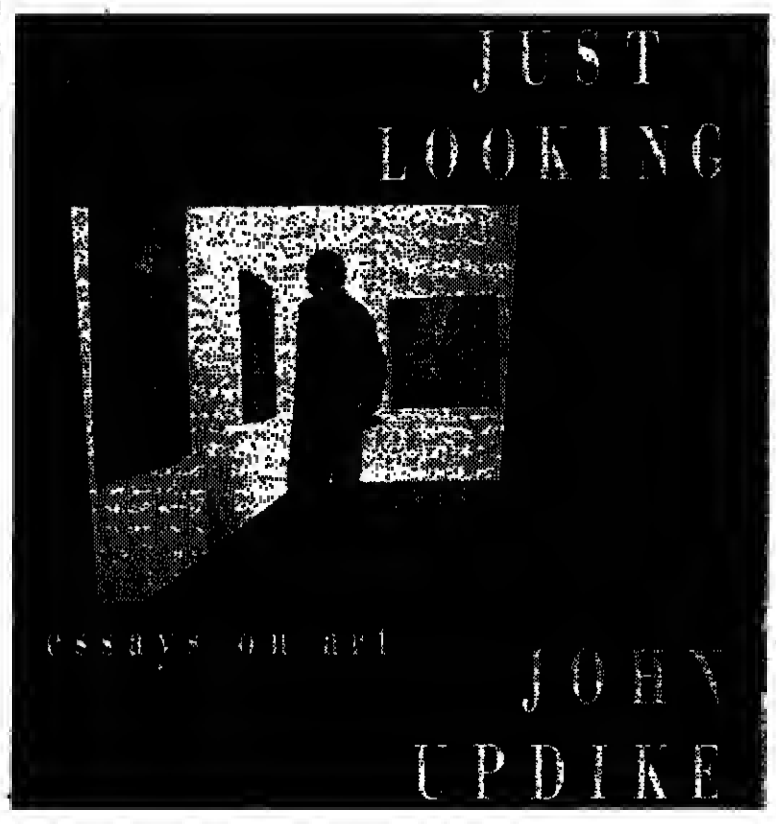
■ Ken Smith answered a newspaper advertisement in 1985 to become writer-in-residence at Wormwood Scrubs, and the result, Inside Time (Harrap, £12.95), was the most enlightening and provocative book to come my way this year. Stone walls do not a prison make, but the attitude behind them and the inhabitants of them do, and this raw piece of writing, shot through with a sense of the irrationality and randomness of life inside, makes gripping and important reading.

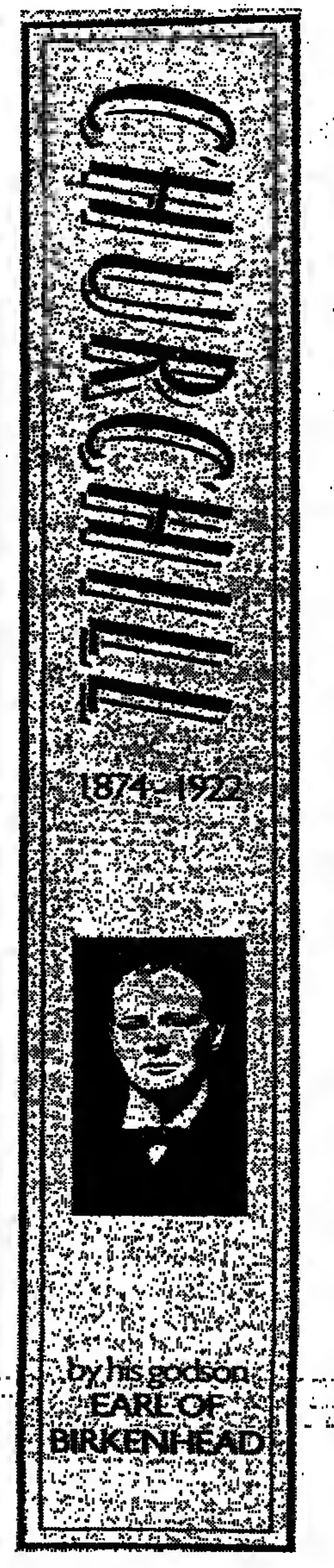
Jackie Wullschlager

■ I choose David Cairns's Berlioz, Volume One: 1803-1832 The Making of an Artist (André Deutsch, £25.00). This work, more than 20 years in the writing and awaited with barely contained impatience by the world's Berliozians, is still only half-way toward completion — and already it takes its place among the great biographies of our day. Cairns's love, knowledge, and understanding of his subject flame up on every page. Few biographies on a musical (or, indeed, any other) subject combine passionate commitment and scholarship in such finely judged proportions; few prove such a joy to read for their lucidity and wit. Cairns's *Berlioz* is now one of the essential items on any music-lover's bookshelf.

Max Loppert







■ I was greatly impressed by David Fromkin's A Peace to End All Peace: Creating the Modern Middle East, 1914-1922 (André Deutsch, £19.95). Based on a mastery of the immense English-language literature its subject has produced over seven decades, it is a comprehensive survey of the origins and course of Europe's last (and most fragile) imperial expansion, ranging from Arabia to the Caspian Sea. Fromkin is particularly successful in bringing the leading actors vividly to life and clarifying their individual contributions to a fascinating story. Reservations about one or two of the 61 chapters do not diminish my admiration for an important historical revision.

Harold Beeley

■ Books on décor abound but the individuality of my choice, Nineteenth Century Decoration: The Art of the Interior by Charlotte Gere (Weidenfeld & Nicolson £50.00), first winner of the French textile designer Manuel Canovas's annual prize for the best book on the decorative arts, lies in its *esprit*, its author's manifest delight in her subject. Gere relates how the famous characters of fact or fiction lived in their beautiful settings; we hear how Miss Mattie Jenkins from Cranford tried to prevent her carpets from fading, we see how Princess Mathilde of Bavaria publicly displayed her trousseau of over 50 fashionable gowns in 1834, and how 50 years later Princess Mathilde Bonaparte arranged the chairs in her salon for the causeries so often attended by the Goncourts.

Jane Abdy

■ My choice is The Bellarosa Connection (Penguin, £3.50) — with a passing nod to A Theft (Penguin, £3.50), which appeared earlier in 1989. One book by Saul Bellow in the year would be an event; two is an unexpected bonus.

Although both novellas are written in Bellow's inimitable later style *The Bellarosa Connection* is decidedly the better. It turns on a moral point: whether or not a man who has done another a service should allow him to show his gratitude. *The Bellarosa Connection* is written in a street-wise yet sophisticated style which operates at the highest level of reference and awareness. When we read Bellow we know we are in the Big League — and he knows we know.

Geoffrey Moore

■ The Names *Blighty, Parade, War Illustrated, Union Jack* ring out like passing bells for people who were involved in the Second World War. They were made to chime again, in this anniversary year, in the book I most enjoyed — Union Jack: A scrapbook of British Forces' newspapers 1939-1945 (Her Majesty's Stationery Office, £9.95). This anthology of covers, pictures and stories which will adorn the growing pile of 1939-45 memorabilia leaves a reader with only a slight regret that he hasn't got his hands on the originals which must now be worth real money.

Alan Forrest

■ My first choice Ian Gibson's Federico Garcia Lorca (Faber & Faber £17.50), 24 years in the making and well worth waiting for, seems likely to be the standard English work on the greatest poet-dramatist of modern Spain. And keeping me reading into the small hours, there was P.D. James's Devices and Desires (Faber & Faber, £11.99), with East Anglian murders in a broad study, at once detailed and far-reaching, of a social as well as a physical landscape.

Isabel Quigly

■ A good way of looking at British theatre, opera and dance over the past ten years has been provided by British Theatre Design (Weidenfeld & Nicolson, £30.00) which puts all the work in a proper pictorial context. Critical writing is often accompanied in newspapers with actors' mug shots; here is what the shows actually looked like during a tumultuous period when designers perpetrated inter-disciplinary melt-down.

And I would add, as a supplementary choice, Antony Sher's Characters (Nick Hern Books, £14.95), an intriguing collection of the actor's paintings, drawings and sketches

Michael Coveney

■ Tzvetan Todorov's Nous et les autres: la réflexion française sur la diversité humaine (Éditions du Seuil, 140FF) is a work which I found especially enjoyable. Since I have a strong interest in travel writing, and in the mapping-out of symbolic boundaries between the foreign and the familiar, I was delighted to come across a book which moves beyond the usual commonplaces in discussing our concepts of foreignness.

Surveying works from a wide range of literary and non-literary genres, Todorov examines the ways in which French writers, from Montaigne to Levi-Strauss, have approached the question of human diversity.

Chloe Chard

■ The year's most unputdownable book was Anne Stevenson's Bitter Fame: A Life Of Sylvia Plath (Viking, £15.95). This critical biography triumphs in both departments. As criticism, it subjects Plath's poetry to a razor-keen perceptiveness and missionary enthusiasm. As biography, it presents almost everyone in Plath's life as a three-dimensional character: complex enough to avoid facile labelling as "friend" or "foe." Best of all, the book conveys the transforming excitement of the creative process, often the only way Plath found of "saving herself from herself" for the too few years — 30 — in which she succeeded in doing so.

Nigel Andrews

■ Val Hennessey's collection of interviews with writers, A Little Light Friction (Harrap, £12.95) is the funniest book I've read for ages, but I'm not sure that its author would approve of this verdict. She is extremely touchy, as her conversation with Martin Amis demonstrates. Because she often interviews highly publicised authors for the popular press she suspects that the quality literary establishment looks down on her. If so, then that is their loss. Her reactions to the 46 writers of all sorts interviewed here are quite unpredictable, often disastrous from an editor's point of view, but always irresistibly fresh and amusing.

Alannah Hopkin

■ Frederico Fellini's book about the manufacture of marvels at the studios of Cinecittà (Studio Vista, £25.00) focuses, and explains my love of ruins, uninhabited stately homes, cathedrals and empty theatres: they are barracks of fantasy and forgotten faiths. And none more so than the film studio, where elaborate sets — works of art in themselves — are built and discarded. This rich book is illustrated with photographs of a gloriously reconstructed Venice (for *Casanova*), of ancient Rome (for *Satyricon*), of modern Rome (for *Dolce Vita*) — and then we see the fate of the monuments: the scenery and statuary are immediately thrown on the back lot to crumble and moulder. The prodigal waste is an outrage and a fascination.

Roger Lewis

■ I loved Sybille Bedford's Jigsaw (Hamish Hamilton, £12.95) a personal recollection of life in Berlin, London and the South of France before the Second World War. She calls it a novel, and I will not quibble with that. But I learnt much about her as an adolescent girl, her mother, her mother's lover, and the other extraordinary people who formed part of her growing-up. The whole work beckoned me into a totally spontaneous and temptingly irresponsible way of life, like the best of Hemingway.

Anthony Curtis

■ The public Winston Churchill we all know. A busy biographical industry has seen to that. But there is another, a private Churchill, a domestic Churchill, a devoted husband, an affectionate, even indulgent father, an amateur artist. It is this slightly eccentric individual who is the subject of the Earl of Birkenhead's book Churchill 1874-1922 (Harrap, £19.95) which the late Sir John Colville edited. Birkenhead, as Churchill's godson, had access to many sources denied to other biographers. The result is a book which I found of exceptional interest, affectionate but not at all unduly worshipful.

George Malcolm Thomson

■ Two books of this year stick firmly in the mind, one historical, the other very much of the contemporary art world Citizens: A Chronicle of the French Revolution by Simon Schama (Viking, £20.00) would have been a fascinating study in any year, but the casting of so sharply revisionist an eye upon the Revolution in this the year of the *bicentenaire* made it irrestistible. As for Art, I have been reading The Andy Warhol Diaries edited by Pat Hackett (Simon & Schuster, £17.95) with appalled and delighted fascination.

William Packer

■ My choice, the crime novel, Dead Spit (Collins, £10.95) by Janet Edmonds, a second novel confirms the talent and originality gernerously displayed in her first (*Dog's Body*). The world of dog-breeding and showing has many a dark corner, and the author — with her vet-sleuth Linus Rintoul — explores them with wry, humorous curiosity and bravery. The fact that Edmonds has been able to repeat her first success encourages the hope that a valuable series has been initiated.

William Weaver

■ In a year bulging with goodies in the art book field, I find it hard to choose between John Updike's essays on art Just Looking (André Deutsch, £19.95) where text and image are brilliantly integrated and the black-and white photographs of Robert Mapplethorpe in Some Women (Secker & Warburg, £30.00), 66 ladies in all, many of them celebrities. Mapplethorpe's death last March was a sad loss.

Renata Gold

■ This was the year in which political historians might say Margaret Thatcher should have resigned — on her tenth anniversary as Prime Minister and at the height of her powers. My book of the year is One of Us by Hugo Young (Macmillan, £16.95.) It is much more objective than one might have expected from the chief political columnist of the *Guardian*, who is always entertaining, usually passionate, but not terribly interested in facts and bored by economic policy. Young had intended to publish at the end of her reign, but came in at the right time. He will produce the definitive edition later. Meanwhile, this is the best book on Mrs Thatcher and the modern Conservative period so far. Only the title slightly shows a prejudice.

Malcolm Rutherford

■ Marie Conte-Helm's austerely titled Japan and the North-East of England: from 1862 to the Present Day (The Athlone Press, £18.00) is packed with delights. Historians rarely look at the relationship bewteen a country and a region and few economic historians turn naturally to cultural history. Marie Conte-Helm, endowed with superabundant curiosity, successfully does so. Nice work, as David Lodge would put it. The illustrations include many curious items — like a picture of the officers and crew of the Kashima, "Togo's Heroes," at Newcastle United Football Ground in 1906.

Asa Briggs

■ Martin Amis's London Fields (Jonathan Cape, £13.95) was the most-talked about book of the year — and with good reason. By turns, it was infuriatingly pretentious and over-poweringly incisive, but just when you were ready to throw it away in irritation you came across a passage of great beauty or uncommon percipience.

It is undeniably clever, this long story of a female victim torturing her murderer into the deed. The setting is as gloomy as the Amis imagination, Notting Hill at the end of the century when the Greenhouse has really taken Effect. The critics who kept it off prize lists were showing their own small-mindedness and immaturity. Not a pleasant road but an unflinching one.

Antony Thorncroft

■ A fine year for novels. I particularly liked John Banville's Outsiderish study in The Book Of Evidence(Secker & Warburg £10.95) and Margaret Drabble's Natural Curiosity (Viking £12.95) which in many ways hits the mid-life spot.

Stanley Middleton produced another under-stated gem of provincial life in Vacant Places (Hutchinson, £11.95) But Julian Barnes scores most with sheer sparkle in The History Of The World In 10½ Chapters (Jonathan Cape, £11.95) about which the only silly thing is the title. The "History" is a series of dazzling stunts which add up to an affecting meditation on love and survival — impossible to categorise, impossible to ignore, a feast of wit and erudition which may enrage fictional purists but does more to link-up to the common European home of the mind than the conventionalities of most English fiction. For that reason, it is my book of the year. But I'm reading A Disaffection by James Kelman (Secker & Warburg, £11.95) which is shaping up as a dark, ferocious, grim, witty anatomy of the under-lying aggression in Thatcher's Britain: a close second.

Mary Hope

■ My book is timely because it describes the domestic arts at a time when Europe was undergoing great political changes, as it is today. Biedermeier 1815-1835 by Georg Himmelheber (Prestel/ Thames and Hudson, £37.50) also wraps up the subject in a final and visually sumptuous way. At last a book by the master of the period who does not hesitate to illustrate and discuss painting, sculpture and architecture alongside the fashion, textiles, furniture, glass and porcelain that made the early-19th-century Central European home both classically elegant and visually harmonious. It is the kind of book that shows you on one page the startling blue and yellow trousers of King Ludwig I of Bavaria and on another the sublime beauties of a stage set design by Karl Freidrich Schinkel. I was in heaven.

Colin Amery

LITERARY COMPETITIONS

IT IS competition-time once again — so summon the Muse to your word-processor, your electric type-writer or to your old-fashioned ball-point and try your skill at one or both of these tasks.

VALEDICTION

You are invited to compose a sonnet bidding farewell to the 1980s.

TOP DISHES

While staying at the Savoy Hotel in London, about which he wrote the novel, *Imperial Hotel*, Arnold Bennett devised an omelette. Made with smoked finnan haddock fillets, and a combination of Béchamel and Hollandaise sauces, in addition to eggs, Omelette Arnold Bennett is still extremely popular. Pavlova inspired a meringue — light as air, topped with fruit and whipped cream, and Louis XIV's finance minister Colbert, a way of frying sole. What we need are some new dishes named after contemporary people — statesmen, politicians, writers, painters, composers, performers, celebrities, anyone in the public eye. Give the name of the dish, the ingredients, and the method of preparing and serving it; the complete recipe in fact.

■ The closing date for both competitions is Friday December 15. Entries should be sent to the Literary Editor, The Financial Times, Number One Southwark Bridge, London, SE1 9HL.

* * *

Results, winning entries and a full report will be given in the Weekend FT on Saturday December 30. The first prize for each competition will be £100 and there will be several lesser prizes.

BOOKS

A rackety highbrow life

*Gentlemen never stopped preferring this lady, says **Anthony Curtis***

WEEP NO MORE
by Barbara Skelton
Hamish Hamilton £14.95, 166 pages

TEARS BEFORE BEDTIME
by Barbara Skelton
Hamish Hamilton (paperback)£6.99 205 pages

UNTIL two years ago, although she had previously published some fiction, Barbara Skelton was famous for being Barbara Skelton rather than for her books. Then there came her first volume of autobiography which set the table on a roar. "Uniquely savage memoirs of a rackety highhrow life" (Anthony Powell). "Tha description of Connolly's courtship and marriage provides some of the funniest reading I can remembar" (Auberon Waugb) – are two typical plaudits from contemporary writers who share the quite rare distinction of not appearing in the text.

As a child Skelton had quite a hard time. Hence her title, *Tears Before Bedtime*. She did not discover much accord with her parents. Her mother was "a beauty," a Gaiety girl. Her father was in the army but invalided out after a severe heart attack. He was a direct descendant of Sheridan. Skelton inherited ber mothers good looks, and something of her dramatist ancestor's gift for seeing through people, particularly literary people. Her main education was, like his, in the school for scandal.

The first scandalous affair was when she was a girl in India. From then on gentlemen never stopped preferring Skelton. Her biggest pre-war catch was King Farouk, who made several appearances in volume one. That first volume took the reader through Skelton's return to England, her modelling days at Fortnum's, her antry into the world of the Cafe Royal when the likes of Augustus John loomed lecherously large across the marble-topped tables.

Skelton soon made her presence felt in that bohemian world with its inebriated values, its horror of boredom. What no one seems to have realised then, people like Peter Quennell, Ian Fleming, Evelyn Waugh, all of whom she came to know, was that there was hidden in her a writer wanting to get out. She was a Boswell putting it all down the next morning.

Sometimes Skelton quotes for pages at a time directly from her diary; in *Weep No More* there are the diary pages describing the duration of her marriage to the critic Cyril Connolly. These are some of her most hilariously deadpan descriptions, showing the great man in all his foibles, and in all his charm too, but I do wish she would give the dates of the entries when she does that. Connolly was aucceeded by George Weidenfeld who, in addition to marriage, offered Skelton a joh with his company.

The scene then moves to the south of France and her next husband, the seriously rich Derek Jackson, Nancy Mitford's brother-in-law, who combined owning race-horses with being a physicist of international standing. Her years with him are among the most interesting in the book.

Both these readable volumes serve as witty footnotes to what one of Skelton's husbands called the condemned playground. It seems to have remained open for much longer than we thought.


Barbara Skelton: famous for her scandalous affairs

Fiction

Tales from the Deep South

OLDEST LIVING CONFEDERATE WIDOW TELLS ALL
by Allan Gurganus
Faber & Faber £12.99, 718 pages

THE MADWOMAN lies scorched in the slaves' quarter, the master'a house is burning, but the small plain young girl destined to become his wife has not yet been born.

Lucy Marsden is the child-bride of an ageing veteran who fought in the American civil war when he was 13. The Yankees shot his best friend, destroyed his mother, reduced his mansion to rubble. Lucy finds out too late that she must pay for the sins of her fathers – in particular, the nightmares of a shell-shocked confederate patriarch. Her husband brutalises her in and out of bed, disappears when she's giving birth to their ninth child, and, in a neat twist of plot, accidentally hlinds the soo named after his lost huddy.

But Lucy endures. She's 99 wheu we meet her; half-hlind and confined to a wheelchair in a state nursing-home, she recollects her childhood, her marriage, ber husgand's war tales, the slave tales she gathers from Cassie, the other madwoman of the tale, the master's first love.

Typical of so many American novels from *Huckleberry Finn* to *Little Women*, the most passionate, unselfish relationships are between members of the same sex: the two boys marching off to war holding hands; Lucy swearing hlood oaths with her best friend Shirley, crawling into Cassie's lap after her husband nearly kills their son, the ex-slave's enormous body offering more pleasure than her husband's "tree root deformity." But even thase relationships, less tainted with conquest than heterosexual love, abow the blight of a society divided by colour and class.

This huge, ungainly book never deepens into a novel; it remains a collection of short stories linked by the gutsy, wise narration of Lucy Marsden. The writing dazzles us with its rich metaphorical language, its folksy dialectics, its clever, if somawhat long-winded, story-telling.

But it is Lucy's life which moves us: her lonely tomboy adolescence in a parochial Southern town, her wedding night spent gasping for breath under a heavyweight vet fighting the war in his dreams, her everyday life listening to the companionable sound of water boiling in the kitchen.

The stories of war – the vain lieutenant taking revenge on the one virgin who won't have him by dumping maple syrup over her harpsichord, the Marx Brothers'-style escape from a Yankee prison, the long march home of starving soldiers too proud to beg – though more shocking and original, remain tall tales. We're aware of Gurganus making them up as he goes along, piecing together a patchwork quilt of history and fable.

Yet Lucy'a story can only he understood through this parallel chronicle of a nation feeding on human flesh: the slaves of the South, child labour in the North, and the young soldiers sacrificed in wars of commerce and empire in Appomattox and Vietnam. "They take nearbout averything good, these goddam whites," Cassie says, when her senile ex-master spreads his faeces on her homemade mink coat. Wa can't unmake history even if our own scars appear to heal.

In the end Lucy takes her first aeroplane trip and sees a stripe of hright green in the forests below, stretching all the way from Virginia to Georgia, the path of Sherman's fires. It seems the trees thrived on charcoal and grew back stronger than those left untouched. "I want to speak a fact that Greeu just taught me," she declares. "The war is over." For once, we don't believe her.

Wendy Brandmark

Classics as gifts

FOR ANYONE seekiug a handsome uew edition of a classic to give as a present this Christmas, there are several attractive possihilities. Best buy must surely be Trollope : The Barsetshire Novels, all six of them, from Oxford University Press at £45.00 the set. These are hardhacks with up-to-date introductions and Mgr. Ronald Knox's sketch map of Barsetshire included in each volume.

Anotber complete set but within the same covers is a fiue illustratsd edition of Shakespeare: Tha History Plays (Barrie and Jenkins, £19.95, 448 pages). The text is interspersed with illustrations of relevant works of English medieval art and the king who gives his name to each play has a miniature picture of his head at the top of each of its pages.

Single volume editions of several standard authors compete for space in the bookshops this year. Reinhardt Books bas revived those deslrable omnium gatherum editions for the general reader from the Nonesuch Press before the war and will add new ones to them. So far they offer Prose and Poetry of William Blaka (£20.00, 936 pages), The Complete Works of Lewis Carroll introduced by Alexander Woollcott (£20.00, 1165 pages) and a real collector's Nonesuch item Tha Wrong Box (£36.00, 226 pages). Apparently tbe first edition 100 years ago was full of errors: the publisbers never received Robert Louis Stevenson's corrected proofs sent by him from Honolulu. This edition edited by Ernest Mehew puts that right and gives Lloyd Osbourne his due.

Anotbar edition of Blake: Tha Complete Poems comes from Longman (£39.50, or paperback £14.95, 886 pages). This is a second edition, incorporating recent scholarship, of the volume edited by W.H Stevenson in the Longman Annotated English Poets series which is widely used in universities. The Poems of Shelley: Volume 1 edited by Geoffrey Matthews and Kelvin Everest (Longman, £60.00, 595 pages) is an important new volume in the same series.

Browning died in Venice in December 1889. To mark this we have A Centenary Selection From Robert Browning's Poetry (The Browning Institute and Constahle, £14.95, 196 pages) edited and introduced by Michael Meredith, and a new volume, Robert Browning in the Penguin Poetry Library edited with an introduction Daniel Karlin (£4.50, 340 pages); while 50 years on from the death of the great modern Irish poet, Macmillan have hrought out a fresh one-volume edition of Yeats's Poems edited by A. Norman Jeffares (£20.00 or as a paperback £8.99, 781 pages.)

A.C.

Rigid man unbends about his friends

***J.D.F. Jones** finds the attraction is in the telling*

ABSENT FRIENDS
by Geoffrey Wheatcroft
Hamish Hamilton £15.95 291 pages

GEOFFREY WHEATCROFT has been all sorts of things: a publisher, a literary editor, a profile writer, a wine buff, an opera critic, an editor of the Londoner's Diary in the *Standard* (he disliked the hours), an historian of South Africa, a frequent butt of *Private Eye*. He hae now turned to higher things, including a book on the Wagners and a house in the country, hut in the interval, while "resting," as he says, he has thrown together this curiously fascinating and readable volume – for which I am sure he would make no great claims – about a score of his friends and acquaintances. The twist is that they are all dead.

"These were all people whom in some degree I knew, liked, loved, admired, and of whom I could say that their liking for me made me think better of myself" (this last phrase is acknowledged as being Ayer of Orwell). That aums It up, and covers the awkward disparity hetween the mere acqueintances (Dwight Macdooald, Philip Larkin, Ian Moncreiffe, Goroowy Rees, to name just four) and the true and absent friends.

The hurden of the book is devoted to Gareth Bennett, the clerical don of New College who killed himself two years ago after exposure as author of a notorious Crockford's Preface – and who had beeu Wheatcroft's tutor; Michael Dempsey, a dear friend and a drunk; Hans Keller, the Third Programme's arrogant "man ,of genius;" Shiva Naipaul, "an imminently great writer" (was he?), whose memory has been taken up hy *The Spectator*, whlch also once employed Whestcroft; and a quiver of other more-or-less known personalities whose quallfication is that Wheatcroft knew them and liked them.

It is a rather small world, of course, which might quite easily irritate the outsider, hut the attraction is in the telling. When Wheatcroft returned to Londoo after the mysterious death of his friend Dempsey he felt "rather like Josepb Cotten in the Third Man." Of the suicide of Canon Bennett, "there is less to this than meets the eye." Of afternoons in Soho drinking clubs, "we misspent our youth, led lives of noisy desperation, grew old gracelessly." Of Goronwy Rees – "a Welsh boy on the make". Of Freddie Ayer on himself – "My books aren't in tbe least bit difficult. They are full of error, hut entirely lucid."

There is much more in this vein and in this style. I look forward to the Bayreuth book and – many, many years ahead – the fuller Memoirs of the man already immortalised in Private Eye (and not without good cause) as the rigid man.

Steeped in the Steppes

GETTING RUSSIA WRONG: THE END OF KREMLINOLOGY
by Patrick Cockburn
Verso £22.95 (£8.95 paperback) 228 pages

THERE ARE two attitudes of mind which colour most foreign reporting from the Soviet Union, attitudes which the Russians themselves describe as *polozhitelnye* or positive, and *otritsatelnye* or negative. Tha first is characterised by Lincoln Steffens's "I have seeu the future and it works," the second by a later visitor's more disenchanted view: "Upper Volta with rockets."

Betweeu these two extremes, Patrick Cockhurn, the FT's Moscow correspondent from 1984-88, sensibly steers a middle conrse. *Getting Russia Wrong* is largely made up of his dispatcbes from that period, grouped together to illustrate particular themes: ethnic politics, glasnost and corruption, the ecouomy, foreign policy, military exigencies, and so on. He was able to travel fairly extensively, and his notes on Georgia, tbe Soviet Asian Republics, Eastern and Western Siberia and the Virgin Lands are especially vivid and informative.

There are, of course, risks involved in re-printing newspaper reports. For example, in reviewing Mikhail Gorbachev's first year in power, Cockburn remarks that "the pressure for structural economic change might be greater if the Kremlin faced an economic crisis or a fall in output. In fact, despite ossification of parts of the economic structure and the failure to modernise, it faces neither." Was that so, wheu that dispatch was written in December, 1985? It was certainly contradicted a short time later.

One must also enter a caveat about his treatmeot of the uatlonalities' prohlem. "Nationalist unrest," he writes, "has emerged as the single, most potent, but also most misunderstood, threat to Gorbachev and reform." But he continues: "Some theories are not so much untrue as irrelevant. Thus, the relationship betweeu Russians and non-Russians is changing, but there is no reason to suppose that a fall in the number of Russians below half the population will have a significant impact on the distribution of political power."

This begs several questions. First, the demographic curve is tilting ever more rapldly against the inhabitants of the Great Russian heartland, and, although the latter can maintain control for tbe foreseeable future, this will become more and more difficult. Second, speculation ahout population trends was for many years a tahoo subject, and, despite glasnost, the authorities can hardly be expected to view it with equanimity eveo today.

But Cockburn is surely right to insist that Kremlinology in its classic form is useless as an instrument of analysis of the Soviet Union under Gorbachev. What matters is not "the attitude towards reform of traditional state institutions such as the KGB, Secretariat, Central Committee, and armed forces, but . . . the political impact of Gorhachev's ability to appear at will oo *vremya*, the nine o'clock news."

In a fioal summing-up, he also insists that what Soviet society has heen manifesting over these past five years is oot a hrief spring hut "an overwhelming propenslty for change." This is well observed. There can be no going back, although ooe may still feel a lingering douht as to whether Kremliuology can eveu now finally he consigned to the dusthin of history.

Erik de Mauny

Chess

THOSE REMARKABLE Polgar sisters from Budapeat – Zsuzsa, 19, Zsofia, 15, and the brilliant Judit, 13 – again displayed their immense promise at the Barbican Centre, London, last week. Their match against three of Britain's best young masters – David Norwood, 20, Stuart Conquest, 22, and the UK's youngest-ever champion, Michael Adams, 17 – was full of inventive play and ended in a 9-9 draw after tha sisters recovered from a three-point deficit.

Both Norwood and Adams are grandmasters, and the Fide rating of the English team averaged well over 2,500. The sponsor, porcelain importer Iuternatlonal Bulllous, awarded the Polgars the match trophy as the moral victors.

As a spectator event, the match was another successful demonstration of rapid chess, with 30 minutes per player for the eutire game. Several encounters culminated in frenetic time scrambles, notably the second game between the two potential world champions, Adams and Judit Polgar. In the end, he was beaten by her instant, table tennis-style reactions – but ba had the best overall score of 4½/6, followed by Zsuzsa, 4, Judit 3, Conquest 2½, Norwood and Zsofia 2.

At present, the Polgars are the top attractiou for chess organisers and sponsors and they are in demand all over the world – at least as much as Kasparov and Karpov. They flew to London direct from a leagus match in Holland, where they are contracted for Hilversum. Their opponent, Rotterdam, was led by Victor Korchnoi, who could only draw with Judit. Both Zsuzsa and Judit are playing for the Hungarian men's team at the European championship in Israel, while Zsofia takes on Kasparov in the first round of the Infolink European knock-out speed championship which Thames TV will screen early next year.

There are still sceptics, Kasparov included, who say that the Polgars will not maintain their rate of progress once they come up against the strongest grandmasters. As yet, though, there is no sign of this happening to Judit. The quality of her games and results at age 13 compare well with Fischer or Kasparov at 15, while her tactical styla and board vision carry echoes of another world champion, Mikhail Tal, at 20.

Although Zsuzsa is rated "only" the No. 2 woman in the world (after being No. 1 at age 16), she made a very good impressiou at the Barbican. This week'a game, completed in under an hour, is a classical exhibition of strategic control against an early queen sortie.

White: Zsuzsa Polgar.
Black: D. Norwood.
Modern Benoni (England v Hungary 1989).

1 d4 g6 2 c4 Bg7 3 Nc3 c5 4 d5 d6 5 e4 Nf6 6 Bd3 0-0 7 h3.

If at once 7 Nf3 e6 8 0-0 exd5 9 cxd5 Bg4 10 h3 Bxf3 11 Qxf3 Nbd7 wheu Black aims his knights at the outpost squares e5 and f4.

7 ... e6 8 Nf3 exd5 9 cxd5 a6.

Black's normal plan in such positions is the sacrifice b5!? when 10 Bxb5 Nxe4 11 Nxe4 Qa5+ or 10 Nxb5 Nxe4 11 Bxe4 Re8 with f5 should regain the piece and open up the centre. Black's slower approach allows White to consolidate her space advantage.

10 a4 Nbd7 11 0-0 Re8.

Here Ne8 looks better, with the idea 12 Bf4 Ne5 13 Bxe5 dxe5 and blockade hy Nd6.

12 Bf4 c4 13 Bc2 Nc5 14 Re1 Qb6.

White planned either a central break by e5 or attack on the weak pawn by Nd2, so Black gives up his Q for several pieces.

15 a5 Qxb2 16 Ra2 Qxc3 17 Bd2 Qb3 18 Bxb3 cxb3 19 Ra3 Nfxe4 20 Rxb3!

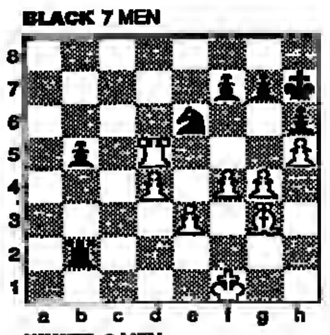
Giving back some material, hut Black's remaining force becomes scattered and vulnerable.

20 ... Nxb3 21 Qxb3 Bf5 22 Bf4 Bc3 23 Re3 Bxa5 24 g4 Bd7 25 Qxb7 Nc5 26 Qb2 Rxe3 27 BXe3 Ne4 28 Bh6 Bc3 29 Qb7 Rd8 30 Qxa6 f5 31 Ng5 Be5 32 Qa7!

Black stopped the queen's diagonal threat to mate at g7, but there is another way to reach f7, g7 and f8.

32 ... Nc5 33 Ne6! Nxe6 34 dxe6 Be8 35 Qe7 Resigns.

BLACK 7 MEN



WHITE 8 MEN

PROBLEM No. 799

A. Belyavsky (USSR) v. A. Rodriguez (Cuba), world team championship, Lucerne 1989. White (to move) is a pawn up but Black seems to have fighting chances with his strong rook and passed pawn. But it took Belyavsky just two moves to force resignation after his opponent missed the suhtle point of White's first turn. How did the game end?

Solution Page XXI

Leonard Barden

ARTS

No hang-ups about contemporary prints

This market has shot ahead in value over the past year, says ***Antony Thorncroft***

TEN YEARS ago the London daaler Bernard Jacobson took possession of a print dedicated to him by the artist Howard Hodgkin. It came in an edition of a hundred. Jacobson sold some for £500 each, and offered others to fellow dealers at a discount. Today he has one left, priced at $35,000, but be is reluctant to sell.

His caution is understandable. Last Saturday an example sold at Sotheby's in New York for $29,900, around double its retail price of a year ago. Sotheby's is offering another next Friday in its London auction of contemporary prints with a top estimate of £12,000. Despite the fact that the colours in the catalogue illustration are all at sea it looks a modest forecast.

But then the auction houses are finding it hard to keep up with the escalation in value of certain contemporary prints, a market whicb at the top level has probably out-performed all others in the past year. No wonder dealers crowd the salerooms, telephones at the ready, to call back to their galleries with instructions to raise all prices when a print goes under tbe bammer for a bigher wholesale price than they are offering it in their retail outlets.

Gregory Evans by David Hockney: estimate £2,500

For example: last Saturday Sotheby's in New York secured a price of $275,000 for Jasper John's silkscreen Flags I, produced in 1973 in an edition of sixty-five. A year ago the same image realised $154,000. In the meantime, in a phenomenally successful sale that Sotheby's held last month in Tokyo, one went for almost $400,000.

For example: David Hockney's 1969 litbograpb "Pretty Tulips" is a very familiar image. It was printed in an edition of two hundred, and two years ago was aelling for £3,000, around ten times its original price. Last June Sotheby's sold one in London for £14,300, and is offering another on Friday, estimated at £10,000. Christie's version at its London sale on Tuesday has a £15,000 top estimate.

For example: "Crying girl," a powerful cartoon strip image by the pop artist Roy Lichtenstein, was printed in reckless numbers (probably around a thousand) in 1963 and given away hy the Castelli Gallery in New York to serious buyers of its other stock. Last May an example sold for $28,600 at auction; within the past week it bas been knocked down for $35,200 at Sotheby's and $38,500 at Christie'a, which makes Christie's London top estimate of £8,000 on a copy it is offering on Tuesday seem a bargain, despite a slight tear.

It would be foolisb to think that all contemporary prints have shot ahead in value. It is only those produced by a small group of artists (mainly American) who have international appeal. The key to the appreciation is the strength of Japanese buying whicb competes with persistent American demand. The Japanese have no hang ups about the uniqueness of works of art. In fact they welcome the fact that prints come by the identical hundred or so.

If a rival down the street has Andy Warbol's famous silkscreens of Marilyn Monroe (a set of ten made $495,000 at Sotheby's last Saturday while Christie's secured $506,000, spot on target, for yet another set on Tuesday)) it is a positive encouragement to other Japanese nouveaux riches to get a copy. And anyway the profusion of similar prints means that there is an active market: if you collect rare Old Master prints you might have to wait years for a particular example to surface.

American bnying is partly inspired by the desire to own a fairly affordable work by the hand of a great contemporary American artist, like Jasper Johns, whose paintings can now exceed $10m. And unlike Old Master, 19th century or even "modern" prints, the contemporary article has the freshness and immediacy of created art, with few problems of forgery.

In David Hockney the UK has an artist-come-print maker with an international reputation. Anyone bright enough to have bought a Hockney print for £100 or less 20 odd years ago will have done very nicely, although it his later, brightly coloured prints, sncb as the 1985 lithograph "View of Hotel Well II," (which sold for $45,100 in May and $57,700 last month in New York), which have shown the most rapid appreciation. Even so a black and white etching of 1971 "Rue de Seine," which Christie's was estimating at up to £6,000 a year ago, now carries a £16,000 top estimate on Tuesday. Between them Sotheby'a and Christie's are offering almost a bundred prints hy Hockney, but only a handful carry an estimate of less than £1,000.

Lichtenstein's "Shipboard Girl:" expected to make £10,000

Howard Hodgkin is starting to appeal to an international market, and his prices are much lower. Another leading British artist, Lucian Freud, one of whose oils has just sold for over $2m, is now attracting the attention of print collectors. Anearly etching of the 1940s sold in London last June for £19,250, and he has recently returned to tha art form with an adition of prints priced below £10,000. They should prove good investments.

The most expensive contemporary British artist, Francis Bacon, who has topped the $5m mark at anction, has a difficult reputation in this field. There are a few prints in his name but most examples are reckoned to be signed reproductions of his paintings, enhanced only by his signature. Otber painters whose auction prices for paintings now push £50,000, like Allen Jones and R. B. Kitaj, are still strangely over-looked. Sotheby's offered three prints by Kitaj in the summer; sold one for under £200; and bought in the other two.

The befty catalogues produced by Sotheby's and Christie's for their print sales have an uncanny resemblance to mail order catalogues. The big names, notably Johns, Warhol and Hockney, are on offer by the hundred. Often an image rises steadily in price; firms at a certain level for a few months and becomes very predictable; and then greedy sellers receive a shock. Last Tuesday, for example, Christie's failed to sell a version of Flags I, althongb the bidding did reach $260,000.

Obviously condition is important in determining the price, but more worrying is the unsettling speculative element in contemporary prints. They appeal to new, market minded, collectors rather than to committed connoisseurs, who lose themselves in the intricacies of Old Master prints, and art-as-an-investment has a volatile history. Prices at the highest level are beyond the reach of most buyers; but anyone following a contemporary British artist might take an enjoyable modest flutter on any prints he, or she, produces.

A first step could be a visit to the Original Print Fair at the Royal Academy in London for four days from next Friday wben there will be plenty of contemporary prints for sale along with the older stuff.

Money and the arts

Despite the recent government handout, the big four are not yet out of the red says ***Antony Thorncroft***

IT HAS entered arts world folklore. The Prime Minister rarely watches television but she happened to pass a set that was transmitting Sir Peter Hall's famous "coffee table" speech at the National Theatre where he demanded extra money for the arts. His impassioned cry was regarded as whingeing, and the arts received a miserly rise in grant that year.

Tha Arts Council has absorbed the lesson and now makes its case for money discreetly. The Minister for the Arts, Mr Richard Luce, a former diplomat, is also a practiced heliever in the aoft approach. Last week low key pressure seemed to have paid off. The arts received a 24 per cent rise in funding over three years and the Arts Council was rewarded £15m more than its original 1990-91 target, a total of £174.9m.

The Council quickly decided that its four "flagship" national companies – Royal Opera House, Covent Garden; English National Opera; Royal Shakespeare Company; and Royal National Theatre – should each get 11 per cent more, as against the 2 per cent originally allocated: bnt tha extra money was delivered with the caveat that they should now get on with organising their affairs efficiently – and no more whingeing.

Which puts at least three of the four in a difficult position. Of course they are delighted with snch an unexpected bonus, but it will not erase the sizeable deficits budgeted this year by Covent Garden, the ENO and the RSC. Only the National Theatre, which has improved its financial position by playing host this year to subsidised foreign drama companies and boosting sponsorship, should get by fairly comfortably on its extra £900,000, to a total of almost £9m.

At Covent Garden the future still looks very bleak. It is on course for a £3m deficit this year and by January will have an overdraft at the benk. The additional £1.5m (to a total grant of £13.38m.) will ease things slightly but general director Jaremy Isaacs now faces the task of putting together a package involving a substantial increase in seat prices, plus cost cutting in such non-money making areas as educational work.

Abont £2m of the 1989-90 shortfall comes from the failure to hit the corporate sponsorship target. Companies face too many financial problems to fund £100,000 plus new productions at Covent Garden. This drying up in business aid could also depress one obvious money raising move – a substantial increase in the price of corporate seats. But Jeremy Isaacs is very loathe to cancel new productions. He still wants to make Covent Garden fresh and exciting.

The situation at the ENO is slightly unreal. Its deficit of £300,000 is manageable, especially with the additional £776,000 in 1990-91, to a grant of £7.8m. Bnt from April it stands to lose the £1.25m it receives from Westminster City Council. The arrival of the Poll Tax apparently makes such aid impossible. The ENO hopes that somehow Westminster, the Government and the Arts Council will assemble between them a a substitute package. It might not match the old subsidy but it should keep the ENO in business.

The RSC anticipates a "cash deficiency" for 1989-90 of £2.5m. Once again next year, thanks to a £600,000 increase to just over £6m, might be more comfortable, hnt the hurden of debt is a constant drain on the RSC. Its options are limited: it can't cut new productions – that just leads to smaller audiences. It can't cut the cost of its productions: it has saved money here steadily over the past five years and audiences are starting to notice. It can't really save on the size of the company – Shakespeare wrote plays with rather large casts. Like the rest of the Big Four the RSC is hoping that sponsorship will help solve a financial problem, whicb it describes as containable rather than mortal.

Last word from Luke Rittner, secretary general of the Arts Council. "The companies can't expect any more. It would be a mistake for anyone to say they have not got enough."

ARTS

Focus on the Turner Prize

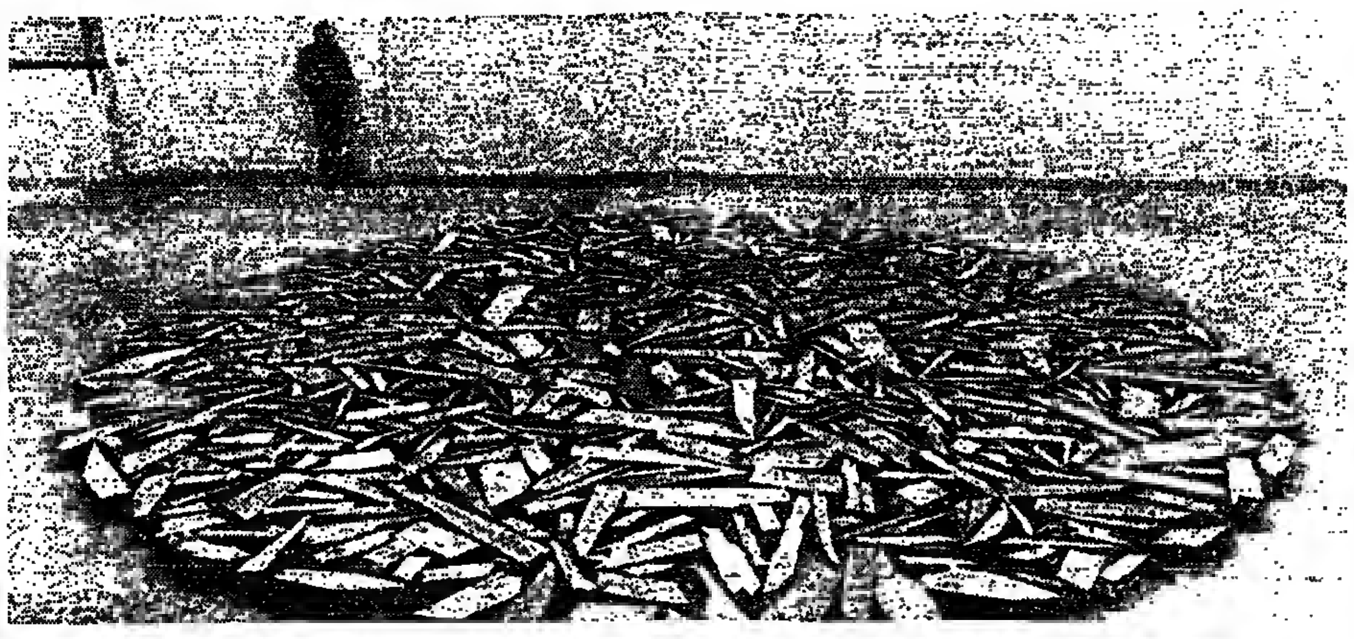
*The purse may have doubled, but all is not well says **William Packer***

WHAT IS to be done with the Turner Prize? This year's award, the sixth in the series and sponsored again by Drexel Burnham Lambert to the tune of £10,000, was announced last Tuesday at the dinner given at the Tate to the great and good of the British Art world. In the event, the whole thing came dangerously close to anti-climax.

Few, I suspect, would wish to see the Turner discontinued, for a valuable sponsorship and the opportunity it affords are not lightly to be thrown up. The Turner still commands considerable goodwill and the sponsors have confirmed their commitment for the next two years with double the purse, so any worries are not immediate. But few would claim that all was yet well and the Turner Prize all it might be.

I have supported the Turner Prize from the start, seeing little harm in some low fun to be had in the betting shop in the good cause of celebrating the best of contemporary art in Britain. But there's the ruh: too often it has seemed that not the best, hut only the trendy or meretricions has been entered in a race fixed from the start. The Director of


1989 winner Richard Long


"Halifax Circle", an example Long's work which is currently on view at the Henry Moore Sculpture Trust Studio, Halifax

the Tate, Nicholas Serota, was surely right last year to narrow the field to artists alone, entered at more or less even weights, and he seems to have recognised that his initial refusal to declare the runners beforehand was mistaken. The short-list, essential to any such event in generating discussion and partisan support, has been restored, if only that was not a short-list but an acknowledgement "of a number of artists singled out for their special achievement."

So far so good; but the central problem is still that the Turner Prize remains unfocussed, looking at artists in their general career rather than specific achievement. Such citations as those given this year – for the importance of her example as a painter; for the continuing innovation and uncompromising beauty of (his) amhitious paintings; for the anduring inflnance and importance of his sculpture; for the moving affirmation of abstract painting – just will not do. That the Turner fails to catch the public imagination in the manner of the Booker Prize, with which it might compare, can only be because the Booker is centred not upon the anthor so much as his particular piece of work, which the puhlic itself can consider on its merits.

This is the nettle that has to be grasped: the Turner must address itself to particular works of art and its jury have the confidence to say: "look here, upon this picture, which is in our opinion the most distinguiahed lately to have appeared." The horses must be walked into the paddock: the preliminary exhibition must be reintroduced. This might make for difficulties, given the often lengtby processes of art's production, but the period of qualification might well be extended to the previons two years. And again like must be matched with like: neither out-and-out atayers nor out-and-out sprinters are put into the Derby, hut have races of their own. It might be that sculpture and painting should be given alternate years.

The irony is that this year'a field, albeit unofficial, was the strongest and best-matched there has been. Its only aberration was the inclusion of Lncian Freud, which made the possibility of any other winner nonsensical; and the only true outsider was the installation maker, Richard Wilson. For the rest, the painters Gillian Ayres, Paula Rego and Sean Scully, and the sculptors Richard Long and Guiseppe Penone, were all in with a fair and equal chance, so much so that any one of them would have been generally acceptable and uncontentious winners.

Freud, of course, did not win. The prize went to Richard Long, the long-distance walker and circle-maker, an acceptahle and even predictahle choice. And if the evening ended in anti-climax, it was largely Mr Long's achievement. Though he would make himself available to the Press next day, he was not present to receive the award in person, thereby effectively letting down the guests, the organisers and, above all, the sponsors. He allowed his name to go forward, is experienced enough to know the form and old enough to contain his disappointment had he again failed to win, for he had been nominated several times before. No doubt his excuses are persuasive, hut until we hear them his ahsence seems, at best, ungracious. Art, as it has its privileges, has its obligations too, from which artists are not exempt.

Radio

Listening in on Europe

JACQUES DARRAS'S first Reith Lecture, on Radio 4 on Wednesday, was called *Beyond the Tunnel of History*, and its theme was the different paths to democracy taken by different nations. He hegan with a look at the Grande Place in Brussels, where great buildiogs represent, side hy side, princely power and municipal power. He turned to the slight ohliquity of the Piazza San Marco in Venice, that stands for the touch of instahility that makes stability perfect.

But the façades thet we see are often not authentically historic hut copies, perhaps altered as necessary. In Paris, the Champ de Mars today does not reprodnce the muddy square where King, Church and people gathered for the Fête de la Fédération. The French path to democracy ran through replacement, the British through tradition. I can give only a hrief summary of Professor Darras'a enchanting talk; the series is printed in *The Listener*, and will be well worth reading. Next wsek we begin with tbe Marquis de Sade.

I thought this week's *Europhile* an improvement; it suggested a magazine programme, not a news channel, and was freer of sound-effects. Nothing about the Berlin Wall, hut vivid reporting of Polish food queues and soup-kitchens. Good lighter stuff, about the remote Spanish village taking its government to the European parliament to save itself from a new homhing-range, and about the Slow Food Movement in Italy, campaigning (under Dario Fo) against fast food. Specially encouraging, the soond of a demo in Romania.

As if to underline the varied cultures of Europe, on Saturday Radio 3 gave *Fanta Film*, a bizarre play by Pietro Formentini, produced hy RAI. King Kong (Alberto Rossatti) enters a supermarket and seizes a girl (Anna Radice). He offers flowers and jewels ("supermarket jeweis") to *coax* her to kiss him. When she finally does, in the true tradition of Beanty and the Beast, King Kong is only a man – a small, ugly man, who is just doing an experiment in interoational psychology. Next, he is to repeat the experiment with Mickey Mouse.

The dialogue was in Italian, English, Frencb and German, a touch of Spanish, possibly other tongues I didn't catch. Some lines were repeated in several languages, some just spoken in one. King Kong, being a naturalised American ape, mostly spoke English. It was more amusiog than *Options*, where the language lessons are practical, and an enjoyable exercise for us with our useful modicum of European tongues.

Both of Radio 4's big plays this week dealt with people writing scandalous records. Saturday's *The Field Marshal's Memoirs*, adapted by James Brabazon from a novel by John Masters, conceroed a sanior Army officer (Jeremy Kemp) and his misdeeds in a Yugoslavian campaign that I didn't recognise. It had some paperback excitement, hnt nothing better.

Monday's monologua by Peter Shaffer, *Whom Do I Have the Honour of Addressing?*, fifth and last of the Globe Theatre series, also contained paperback emotions, hut from a better paperback. On what may, or may not, be a pre-suicide tape, fiftyish Angela, a worker in an agency typing filmscripts, tells of her Hollywood romance with mid-twenties film-star Tom Prance. Tom runs a "rehab centre" in Los Angeles for druggies, and he takes Angela on for her basic Englishness, to work there and also help him adopt old-time English manners.

There is warning early in the tape of an early hust-up; we need only worry what it will be. Angela learns that Tom practises sexual eccentricities with his friend Bud, and makes a scene at the studio. She also discovers Bud "shooting up" in her apartment. Tom, his face gashed in the studio fracas, sends her home and she decides to end it. Or not. Colourful it is, but predictable. The plaasure lay in Judi Dench's performance. Glyn Dearman directed with restraint.

B.A. Young

Records

Much Mozart, and more

THOUGH IN 1781 Archhishop Colloredo of Salzburg had literally kicked Mozart ont of his service, two years later he got the brilliant pair of Duos from him, probably without knowing it. That summer, Mozart revisited his home town (worrying even than that he might be arrested) and found Michael Haydn – an under-organised chap, unlike his elder brother – embarrassed by an unfinished archiepiscopal commission for six "duets." Mozart wrote the missing two for him, leaving the manuscripts unsigned.

Despite the slender domestic medium, which accounts for their absence from concert programmes, they are not "occasional" pieces at all. They match the best of Mozart's solo and duet sonatas, as well they might: they followed his great "Haydn" quartets, amid his Vienna cycle of piano concerti, and display comparable invention – and canonical mastery – within their instrumental confines. Perhaps only a viola-player like Mozart could he so even-handedly generous with both the parts; in the bright, appealing Michael Haydn duo which very properly completes this record, it is sad to find the viola cousigned to workaday support.

In either case Tabea Zimmermann makes a sterling partner for the Salzhurg violinist Thomas Zehetmair, whoae usual quirky imagination is especially apt here. Together, they respect the intimate scale hut light it up with feeling, where other performers tend to be sternly devout. Felicity Lott does something similar in her *delectahle programme* with Jane Glover and the LMP, half of it recapitulated from a September Prom.

On record her soprano is still more ohviously a Romantic instrument, quita different from the bird-like voices often heard in Mozart "concert" arias (here including not only the "Exsultate" motet and two numbers from his early operas, but arias written for inserting into other people's operas). She doesn't aim at winsome impersonation, though she has fun with the buffo "Voi avete un cor fedele." Instead, she sculpts her phrases with shining rectitude hnt also invests them with cunningly aansuons curves, as if viewing the period manners of the music through a modern sensibility. The resultant glow is irresistible. There *are* people still who *claim that the Flott timhre* lacks an individual stamp – but they used to say that about Suzanne Danco and even Crespin, too.

The cycle of Mozart'a piano concerti hy Mitsuko Uchida and Jeffrey Tate with the ECO proceeds with unflagging vitality, and all the rewards that attach to giving the orchestral solo voices near-parity with Miss Uchida's piano, a dashing *prima inter pares*. In the next-to-latest release K.491 and K.503 drop part of their conventionally attested characters, the one less baleful and Romantically haunted than usual (though Tate makes mnch of its long chromatic lines), and the other more of a sophisticated, even-handed dialogue than a grand oration with trumpets and drums.

There, we're used to a dominating, masculine protagonist; Uchida is artfully feminine and confiding, even granted her own hold cadenzas, which makes for a provocatively different balance. In their most recent instalmant, tha B-flat Concerto K.456 is an incontrovertible joy, at once poised, dazzlingly argued and springing with fresh ideas. So too with their K.459 in F, bar the poise: its gleefully headlong address may strike some listeners as hracing, others as slightly over-hectic, though plenty of aharp insights emerge.

The pianist Jorge Bolet has long since grown into a kind of selfless mastery, and his latest CD releases make a distinguished feast. (Not, thanks be, a memorial! – he is reported to be recovering well from his recent serious illness.) Most of his vintage programme of favourite Liszt is reissued, as it eminently deserved to be, but the transcription of Schubert's "Wanderer" Fantasy with orchestra is new. Colossal energy, sympathetically abetted by Solti, and ultra-lncid playing; and if Bolet is less darkly ruminative in the "Wanderer" Adagio itself than some middle-European pianists, he and Solti deliver the Scherzo and Finale with tingling authority.

His Franck record is a treasure. The *Variations* (with Chailly's svelte support) and the evergreen Prelude, Chorale & Fugue are peerless models of grace, dignity and style: marvellous keyboard voicing and chord-balance, exact appreciation of Franck's harmonic nodes. I may even yet be converted to the other, more stiffly academic Prelude etc., given Bolet's majestic exposition. If anything is wanting – not very gravely – it's just the odd playful and/or buoyantly vulgar touch, a disarming Franck vein (cf. the 8th, Chopinesqne "variation symphonique" and the jaunty Finale tune) which the gentlemanly Bolet prefers not to exploit.

A similar *pudeur* about Dehussy's fleeting, wilful suddenness, and his occasional "popular" excursions, prompts my only reservation about Bolet's 16 Preludes – though one would love to know why he set aside the other 8 of Dehussy's two dozen! Otherwise, his readings are richly and faithfully coloured, deep, and paced to a judicious nicety beyond any current native-French accounts that I know (*let alone Michelangeli's*): they set a standard.

A hasty last note: Elizabeth Maconchy's 13 String Quartets are appearing in auccessive volumes on Unicorn-Kanchana, each volume entrusted to a different young quartet under the composer's tutelage. This is not a parochial event. Maconchy, now 82, is a born quartet-composer, perhaps even the best between Bartók and Elliott Carter, and her *oeuvre* stretches from between-the-wars to 1984 – British hut cosmopolitan too, astringently concise, tonality steadily fading hut clear thematic argument passionately upheld. Each quartet fairly crackles. Her remarkable first four, in the incisive Hanson performances, *will* whet almost any music-lover's appetite for the volumes still to come.

David Murray

Mozart: Duos for violin & viola in G, K.423, and in B-flat, K.424. Michael Haydn: Duo no. 1 in C. Zehetmair, Zimmermann. Teldec 244 192-2

Mozart: "Exsultate, juhilate" K.165, and 7 arias. Lott, Glover/London Mozart Players. ASV CD DCA 683

Mozart: Piano concerti in C minor, K.491, and in C major, K.503. Uchida, Tate/English Chamber Orchestra. Philips 422 331-2

Mozart: Piano concerti in B-flat, K.456, and in F, K.459. Same artists. Philips 422 348-2

Liszt: "Wanderer" Fantasy, after Schubert (with Solti/London Philharmonic), and 9 solo pieces. Bolet. Decca 425 689-2

Franck: *Variations symphoniques* (with Chailly/Concertgebouw). Prelude, Chorale & Fugue. Prelude, Aria & Finale. Bolet. Decca 421 714-2

Dehussy: 16 prelndes. Bolet. Decca 425 518-2

Elizabeth Maconchy: String Quartets nos. 1 - 4. Hanson Quartet. Unicorn-Kanchana DKP(CD) 9080

CHESS No. 799

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FOOD AND WINE

Light, healthy, exciting: a cuisine for the '90s

Japanese cooking is the coming thing, says ***Nicholas Lander***

IF SOMEONE were to ask me for a racing certainty in the 1990s, I would suggest a Japanese restaurant in Derhy. News that Toyota has chosen this area of northern England for a new factory will not only ensure a loyal aodience but will also bring a phalanx of Japanese suppliers in its wake. And the Japanese – even more, I believe, than either the Chinese or the Italians – love their food; so much so that Japan Air Lines has just installed a sushi bar in the departure loungs at Heathrow Terminal Three.

Anyone who has seen the film *Tampopo*, a brave woman's determination to create the perfect noodle bar, will sppreciate this; and now, as the Japanese spread their influence across the world, they are going to affect what and how yon eat and drink.

In many ways, the Japanese are the ideal investors in the food and wine world because they are always prepared to take the long-term view – definitely, a prerequisite for both these husinesses. Japanese companies now own vineyards in Bordeaux and California and s division of Sumitomo, one of Japan's leading trading houses, bought the three-star Paris restsurant Lucas Carton with a view to marketing its chef, Alain Senderens, and his products world-wide.

Talks are also under way to take two other three-star restaurant proprietors from Paris – Joel Rohuchon from Jamin and Jean-Claude Vrinat from Taillevent – into partnership in a French restaurant in Tokyo that will open in 1994.

On a more down-to-earth level is the story of the blue-fin tuna. This is the best tuna available and essential in either sushi or sashimi, two of the better-known Japanese raw fish dishes. As demand in Japan began to exceed supply, trading companies started to scour Europe for sopplies.

The first stop was Rungis, the huge fish market of Paris where tuna used to arrive from the French Mediterranean fishing ports. Soon, the Japanese had located the sources of the fish and were hnying direct from the coast: so much so that there was hardly any tuna at all coming on to the Rungis market this summer.

Not content with France, these trading companies have moved on and have now made contact with fishers of tuna from Spain to Turkey. There is not a singla fleet in this area that does not know the price it can get for its catch, put under ice and air-freighted to Tokyo.

As many of these tuna shoals are now detected hy solar beams, they stand little chance once found; it is to be hoped that the Japanese do not fish the tuna to the limit they have done with whales.

They may not be model provisioners but the Japanese can teach us a lot about cooking, and it is possible to appreciate this without actually liking their food. The essentials are the freshest ingredients often eaten raw and, when cooked, cooked as quickly as possible (frequently, on the highest possible heat) and then presented as beautifully as possihle. Japanese cooking has long connected the eyes to the stomach, and this emphasis on presentation will be a lasting beqnest to Western cooking.

'It is to be hoped the Japanese do not fish tuna to the limit as they have done with whales'

The most dramatic consequences of this Japanese influence can now be seen in many of the better restaurants in California which, with the benefit of a common ocean, has adopted Japanese ingredients and cooking techniques wholeheartedly. in fact, one of the chefs most responsible for the upturn in California cooking was a Japanese named Massa, initially at L'Auberge dn Soleil in the Napa Valley and then at his own restaurant, Massa's, in San Francisco before he was murdered.

Not surprisingly, therefore, the Japanese influence on English chefs is most marked among those who have travelled to California, if not to Japan itself. in London, Alastair Little (tel: 734-5183) serves a full-hlown sushi dish as a first course; Rowley Leigh at Kensington Place (727-3184) provides a dish of marinated tuna and scallops with ginger and soy; Martin Lam offers raw sea bass marinated with olive oil and hasil at L'Escargot (437-2679); and Sally Clarke at Clarke's (221-9225) frequently has a side dish of tempura vegetables with her grilled fish.

Nowadays. chefs (and customers) need not travel quite so far for there are a number of good Japanese restaurants in England and this number is likely to grow. There are an estimated 15,000 Japanese in London and another 15,000 elsewhere in Britain – a very useful core to nourish, particularly as the number of Japanese tourists increases.

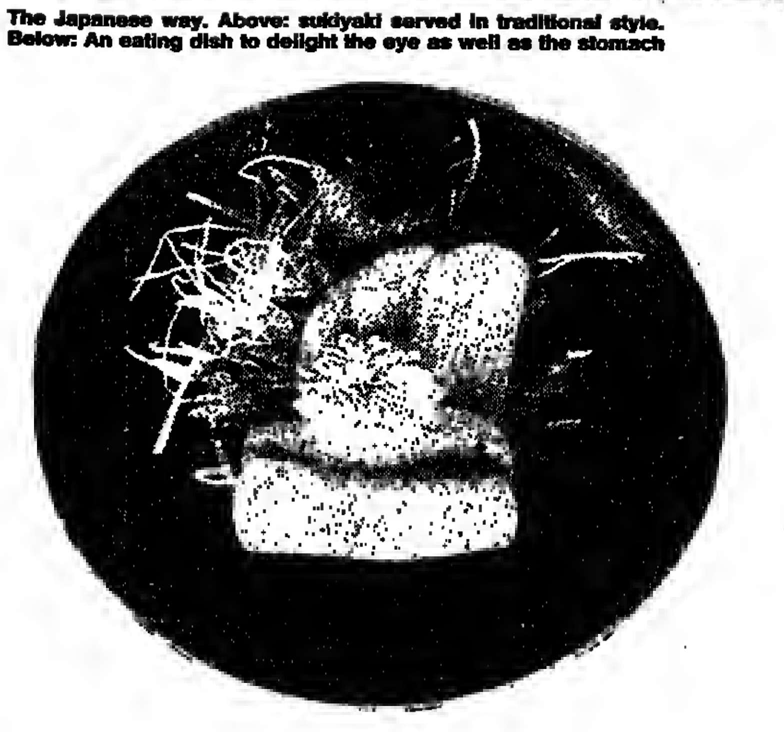
in the West End, my meal at Miyama, 38 Clarges Street (499-2443) was very good, spoilt only by the blank total on my credit card slip. There are eight set lunches and two teppan-yaki bars where food is prepared before your eyes, but the most impressive ingredients were the helpful service and the two bowls of soup served during my meal which were almost health-restoring.

At Suntory, 72 St James's Street (409-0201), the cooking was good but uninspired. in fact, the restaurant, which did so much for Japanese cooking simply by taking over the former Prunier's site in 1975 and making Japanese cooking available to London, now seems to be suffering from a distinct lack of anthenticity.

This could not be said of either Ginnan, 5 Cathedral Place EC4 (236-4120) or Jin Kichi, 73 Heath Street, NW3 (794-6158). I arrived at Ginnan at one minute to midday and there was already a queue of 30 be-suited Japanese businessmen outside its doors. The restaurant serves as a cafeteria for the Japanese in the City hut offers no compromise ou quality. The set lunches are served with rice, pickles, a small starter and tea and delivered on airline-type trays, but the fish in my sushi was as fresh and prepared as exactingly as in any more up-market establishment – as well as costing a mere £8.50.

The same modest level of reasonable pricing applies at Jin Kichi, where the small ground floor holds the cooking grills, a bar that seats 12 and eight small tahles, with several more downstairs. Dinner for two was £36 inclnding saké, beers and two very good dishes: skewers of grilled, crispy chicken skin and six deep fried oysters (served surprisingly, hnt to good effect, with a sweet dip and mustard). Not included in the bill was the warmth of the service: I counted eight "thank yous" from the staff as we crossed the 10 yards from our table to the front door.

Japanese restaurants are no longer as formidably expensive as they were – nowhere in London can compare with ex-Prime Minister Uno's favourite restaurant in Tokyo, which had a minimum charge of £500 a head. It is also a cuisina for the 1990s: light, healthy, exciting – and one that whets the appetite without swamping it.



The Japanese way. Above: sukiyaki served in traditional style. Below: An eating dish to delight the eye as well as the stomach

Chewing and brewing . . .

Giles MacDonogh *reflects on the origins and traditions of saké*

A LATE-NIGHT prowl through the streets of any major city in Japan reveals a face of the Japanese very different from the one of diligent sobriety usually portrayed hy Western analysts of the economic miracle. Blue-suited office workers stand arm-in-arm on footpaths singing of cherry blossoms and lost love. A lone construction worker follows a meandering trail through city traffic.

In a recessed entryway, back to the crowd, is a section chief from an slectronics firm, engaged in a common form of civil pollution while chattering about the foihles of his co-workers. in the trains, home-ward-bound at last, packed hordes of ths feverishly unsteady intone as if in a single chorus: "This time for sure, I am giving up saké!"

This refreshingly Bacchic portrait of the Japanese at play comes from Hiroghi Kondo's *Saké: a Drinker's Guide*, which is useful for anyone wanting to understand Japan's traditional alcoholic drink, which has now been whittled down to a mere 21.6 per cent of the market share through competition from beer, whisky and wine.

The Japanese learnt the secret of rice brewing from the Chinese some time before the 7th century AD. Before they mastered the ambient yeasts that provoked the rice to ferment, saké was a crude, slightly alcoholic mash. One of the earliest versions required virgins to chew the rice and spit it into a vat, their saliva acting as a starter for converting rice starch into sugars. This was called "heautiful woman's saké."

In the Heian period (AD 794-1185), saké played an important part in the aesthetic self-cultivation of the time called "furyu," or taste. At banquets held for cherry-blossom viewing, saké would be sarved made from water scented with chrysanthemum petals. So popular was saké by tha 14th century that there were 340 brewers working in Kyoto alone. Saké was perfected by the 16th century but, in our own time, the process has been corrupted by brewers adding sugar and alcohol.

Saké should hs mads of nothing but rice and water. That sounds simple enough, but there simplicity ends. The water should contain certain trace elements, with the best deemed to come from near the port of Nada. The rice is of the sticky Japonica sort, but polished sometimes to as much as 60 per cent of the grain as opposed to 10 per cent for eating rice.

Brewing saké is quite different from any method known in the West. Strictly speaking, it is called "multiple parallel fermentation" – which, if I understand it correctly, means that tha starch in the rice is broken down into sugars and the yeast converts the sugars into alcohol and carbonic gas not in two processes – as with whisky – but simultaneously. The result is a rice wine containing some 20 per cent alcohol. This is reduced generally to 16 per cent by adding water.

The process becomes far more complex when you start to examine the *koji* mould which is used as a starter and which gives saké its distinctive taste, or the *moto* yeast which is ground for 18 days to the accompaniment of 16 brewers singing tha *"moto*-grinding song" for hours in unison.

Anxious to find out as much as I could about saké in the UK, I contacted Mr Kawamoto, of the J. A. Centre in London, who agreed to put me through a tasting of sakés and some fine plum wines. We tried three types imported by his firm, starting with a low-strength Senpuku (thousand happinesses).

The strength of 12.5 degrees makes it popular in Britain because of the wine duty ceiling of 15 per cent. The saké is clean and smells a little of fresh bread but it lacks a "tail," as the Japanese would say. Tha quality sakés were the Ozeki and Kikn-Masamune; I preferred tha latter, which smelled of fresh hananas, to the radish-scented Ozeki.

With more than 2,700 brewers in Japan, I could not have hoped to learn much from one afternoon's tasting. In Japan, saké-tasting is a ritual every bit as serious as wine-tasting in the West. Special cups with "snakes' eyes" at the bottom help yon to admire clarity and a slight yellow tint from ageing in Japanese cedar casks. The best will be those marked *jummai-shu*, meaning pure rice (no sugar or alcohol added), or *ginjo-zukuri*, which is made from a special strain of moto and has an aroma of Delicious apples. The sakés vary enormously in sweetness, from syrupy to bone dry.

One of the most charming aspects of saké-tasting must be the Japanese terms. The wine-tasting vocabulary was introduced to Japan after the Meiji Restoration which, in 1868, opened the country to Western influences. None tha less, the Japanese have been able to add some phrases of their own.

A saké with body is said to "have strong hips" like a Sumo wrestler. The words *shiripin* and *pin* refer to the "poise of the tail," or what Westerners might call the length on the palate, while another expression to denote saké of insufficient complexity translates as "lonely and sad . . . the mental state of a woman waiting for a lover who doesn't turn up."

Saké can be drunk hot (but not more than 100° F) or cold. It is best tasted at room temperature. Both the rice-wine and the drinking kits can be obtained from the J. A. Centre, 350-356 Regent's Park Road, London N3 (tel. 346-1042). A standard 1.8-litre hottle sufficient for three drinkers will cost between £15 and £20.

Pickled plums for breakfast

Peter Lewis *contemplates eating some strange food from the East*

JAPAN has never been part of anyone's empire. The Americans occupied it for a while after the Second World War, which might be one of the factors accounting for the large number of Japanese restanrants in big American cities. Even in the US, though, Japanese restaurants dspend on more than a sprinkling of Japanese customers.

Japanese cuisine, like Japanese society and culture in general, is much more insular than that of other nations. If you are Japanese, you could well have been brought up to like sour pickled plums for breakfast. Nobody else's idea of breakfast even approaches this.

So, if you get such a Japanese dish in London or Milan or Los Angeles, no local substitutea will do. Genuine imported Japanese pickled plums are the only answer.

Weekend FT food writer Nicholas Lander, who knows his way around the food wholesalers, put me in touch with the largest importer of Japanese foods in Britain and I have drawn deeply on its knowledge and wisdom.

Serving most of London's Japanese restaurants, Furusato Foods offers a mixed bill of prepared Japanese foods imported from Tokyo and fresh wet fish from the capital's Billingsgate market, as well as some fish markets elsewhere in Europe.

Furusato, which has a shop in Camden High Street, north London, huys its vegetables from Japan. Its range of everyday Japanese groceries is very wide and, even to a Japanese food-lover like me, foreign and strange.

It makes no concessions to the casual Western shopper. in its concrete cavern, the fish in the chilled cabinet looks as if a sushi chef has been at it already. And although the price labels on packaged goods include product descriptions in English, these give very little away (produced as they are on one of those printers that chemists use and you need a lens to read).

But these are not everyday Western convenience foods. Sheets of dried seaweed – *nori* (dried laver) and *kombu* (dried kelp) – are used as wrappings for sushi, rather as our grandparents used rice-paper. These dried sheets of seaweed can lend their own fragrance to stock and broth and they are very rich in vitamins.

Japanese pickles are very different from those we eat in the West. They are designed to be eaten with plain boiled rice, not with slices of cold meat. Melons, plums, radishes and ginger are pickled one at a time, with the taste of the fruit coming through the vinegar.

Pickles are one thing, though. Another, with which I have just made an acquaintance, is *natto* – fermented bean curd. It is at least as disgusting as truffles are on first meeting; alimy, smelly and foul-tasting. Apparently, children in some parts of Japan like it; others find it detestable.

For me (and for most readers, I assume), soy sauce is soy sauce and that's that. A great deal of it comes from China and my bottle of Sharwood'a says it is a product of Singapore. But, for a Japanese, only ths genuins home-grown article will do.

And although – as with everything else – the Japanese product is more expensive than the Chinese, the Japanese accept no substitntes. This strange exclusiveness helps to make their food so unapproachable.

The Japanese diet, with very slight cooking and lots of fish and greens – meat is a late and foreign arrival – is, of course, a good answer to heart disease, although not all Japanese habits lead in the same direction. The habit of drinking whisky with workmates is the kind of thing at which my doctor would draw the line.

I asked Mr Sakai, of Furusato Foods, to recommend a Japanese restaurant to which I hadn't been and the one with which he came np – the Shogun – is just across the road from the American Embassy in London's Grosvenor Square. It was not cheap, hut I don't think anyone would expect that in Grosvenor Square. Course after course of delicious food and no *natto* in sight.

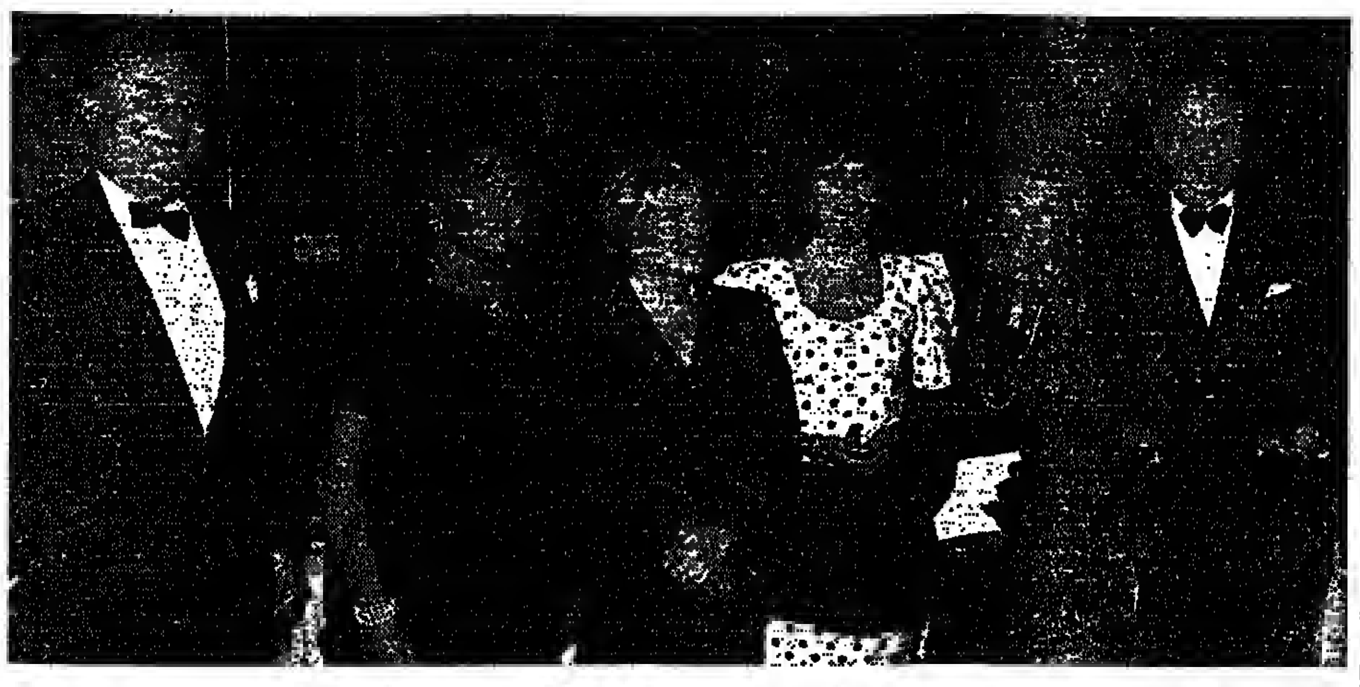
I had hoped, secretly, that Furusato would get me an introdnction to the Honda executive canteen in Reading, Berkshire. But I had to be content with the Shogun, which was very good althongh I didn't learn anything new.

DIVERSIONS

SOTHEBY'S might trounce Christie's in two dimensions but its wine *department has* always been the lesser. So, it decided that one way to gee-up its wine profile was to give the most glorious dinner party – although this was nothing whatever to do with his 50th birthday tomorrow, chairman Lord Gowrie assured his 85 guests in the romantically transformed Main Gallery on Monday night.

In fact, it had taken two years to find a date for the event. This was because it was actually an historic first public gathering of the proprietors and directors of all five Bordeaux first growths: the Duchesse de Mouchy of Château Haut-Brion, Baron Eric de Rothschild of Château Lafite-Rothschild, Baronne Philippine de Rothschild of Château Mouton-Rothschild, the Hon. Alan Hare of Château Latour, and Mesdames Corinne and Laura Mentzelopoulos of Château Margaux.

The reason for the time lag was because their diaries are so full. But it took nearly as long to decide which vintage of each wine would be served (although no-one complained about the eventual race-card of such pure thoroughbreds as the charming Haut-Brion 1961, haunting Margaux 1953, youthful Latour 1952, perfectly-balanced Mouton 1949 and legendary Lafite



At Sotheby's *grande bouffe*: (from left) Alan Hare, Baronne Philippine de Rothschild, Corinne Mentzelopoulos, the Duchesse de Mouchy, Laura Mentzelopoulos, and Baron Eric de Rothschild

1945) and to determine the suitably non-competing menu.

This must have been one of Le Gavroche's more testing outside commissions, demanding as it did the installation of six Roux-proof electric cookers (gas would have posed too much of a problem for the auctioneers' smoke detectors), but the restaurant managed impeccable service of five courses and six wines (well, we had to have a Yquem, didn't we?)

Such has been the rivalry between the first growths that co-operation on this scale would have been unthinkable 10 years ago. For several years, however, "Les Cinq" have been meeting regularly (over what one imagines must be reasonably well-provisioned dining tables) to discuss matters of mutual interest. (Oh, to be a fly on THAT wall).

And so an improbable assemblage of connoisseurs such as model Jerry Hall, newspaper editor Max Hastings and your overwhelmed correspondent came to enjoy an extraordinarily *grande bouffe* overlooked by the equally improbable likes of Burne-Jones and Picasso.

Sotheby's has issued a press release ending with what must qualify as one of the understatements of the year: "It is hoped that this will be the first of many such occasions."

J. R.

Wine's underdogs grow in stature

***Jancis Robinson** samples some lesser-known grape varieties and likes what she finds*

BEFORE PLUNGING into the pre-Christmas season of licensed excsss, spare a thought for some of the wine world's underdogs. Who knows – you might actually prefer them.

Bulgaria is now the UK's fifth most-important wine supplier. and its Cabernet Sauvignon needs no introduction. Less well-known are Bulgaria's own grape varieties, of which Melnik and Mavrud are, to me, by far the most exciting.

The Damianitza Melnik 1983, now stocked at just under £3 hy the likes of Victoria Wine, Peter Dominic, Bottoms Up, Majestic, Threshers, Ad Hoc Wine Warehouse of Clapham Road, London SW4, and Wines of Westhorpe (which sells cheaply by mail order on 0283-820-285), is a sweet, oaky red that probably will develop further over the next year or so. But the real star in the present collection from Bulgaria's state cellars is the fast-disappearing Assenovgrad Mavrud 1981.

This costs little more than £3 a bottls from the hetter hranches of Victoria Wine, Peter Dominic, Bottoms Up, Waitrose and Ad Hoc, and is a wine with real substance. The Bulgarians reckon Assenovgrad, in the sonth, is hest-suited to this robust, rich red that rewards oak and bottle ageing with a bouquet bordering on the snbtle. Take advantage of a wine that is at its modest but under-priced peak.

Marsanne is not a white wine variety that gets around the way that trollop, Chardonnay, does. With Roussanne, it is the more widely planted of the two varieties responsihle for white Rhônes such as Hermitage and Crozes-Hermitage. The wines seem to me to be slightly reminiscent of gum – the sort of gum you stick paper with – which I don't mind at all. They are relatively full-bodied and can have an almost marzipan flavour, but they need every notch of acidity to keep them appetising.

Some slightly heavyweight examples have come ont of Australia, but now the Midi is the source of some inexpensive Marsanne with real interest. Domaine dn Bosc 1988 is a *vin de pays de l'Hérault* with lively acid and great texture and flavour, and seems fair value at £3.70 a bottle (mail order) from Adnams of Sonthwold on 0502-724-222.

Better value, perhaps, is the Domaine de Montmarin 1988, another *vin de pays* from the delightfully named Côtes de Thongue, also in the Hérault departement, which is sold hy Winecellars of 153 Wandsworth High Street, London SW18, at £2.79 a bottle, and £2.58 from Andrew Gordon Wines of Dorking, Surrey (both these wine warehouses sell a minimum of 12 assorted bottles at a time). It has that gummy quality but also a smoky softness that reminded me of, say, an Alsace Pinot. A good wine to drink now as a house aperitif.

Winecellars, which is an Italian specialist, can also field the excellent Vermentino di Sardegna 1988 from Dolianova at £2.55 a bottle (Waitrose has it in magnums at £4.45). The signs are that this white grape variety, grown widely in Corsica as well as Sardinia, has a fascinating past; indeed, it could even be the much-travelled Malvasia (Malmsey) of Madeira. Certainly, this Vermentino has much more character than is found normally in such a cheap dry white very slight fizz, marked crispness, and the scent of pears.

Non-Bulgarian, Eastern bloc wines

PERHAPS I am wasting my time and space recommending Romanian Pinot Noir to readers of the *Financial Times*, hut this wine is great valne. Bottoms Up has it labelled as *Classic Romanian Pinot Noir*, dated 1984, at £2.59, hnt I'm sure it is the same wine that Sainshury's has for £2.25, labelled more stylishly as its own version. In its usual helpful way, the Sainshury back lahel recommends that we drink it at room temperature within the next year.

As a result of some household devilry, I tasted it blind at cellar temperature recently and found it recognisahle clearly as the great red grape of Burgundy (quite a triumph for a wine at this price level) and a mnch more attractive wine than a cheap red hurgundy at more than twice the price. Serve it anywhere between cellar and room temperature and expect simple, ripe flavours slightly (but not unpleasantly) reminiscent of strawberry jam.

More serious, and more suitable for claret-lovers, is Majestic's Yugoslavian Vranac 1986 (which, as a bizarre grape variety, qualifies twice over as an underdog) This concentrated, chewy, well-structured wine with, presumably, Yugoslavian oak (is this the only reason it reminds me of some Italian reds?) is bottled by the Agrikombinat of Titograd and costs only £2.89. Irresistible, surely?

1987 claret

THIS IS not a "great" (long-lived) vintage and few merchants have been touting its particularly useful charms. On the other hand, those who understand that life is too long to drink only great wine are buying this easy, open vintage – not to squirrel away hut to drink.

Proprietors who depend on Merlot, or were nifty about minimising the effect of rain on their Cabernet, or who had the determination to exclude the less successful vats from the *grand vin* (the châtean's main bottling) and the sense not to add too much press wine to this essentially soft vintage, can provide us with well-made wine bearing all the hallmarks of classic claret – except that it costs much less than any other recent vintage and we can drink it over the next five years while we wait for our 1982s and 1986s.

Unlike most traditional merchants, City wine firm Corney & Barrow (tel. 01-251-4051), Hungerford Wines (0488-83238), Windrush Wines, of 3 Market Place and Cecily Hill Barracks, Cirencester (0285-650-466), and The Wine Society of Stevenage (0438-741-177) saw that this vintage gives us the chance to drink even the greatest names at little more than £20 a bottle, and benefit from the fact that Bordeaux's pride in its wine-making ability has never been greater. They still have wine availahle (the 1987 Pomerols are especially good) and sell mainly by the case.

Oddbins, the chain apparently run by potential consumers rather than professional buyers, is selling 1987s by the single bottle, as it did so successfully with the 1986s. Its plump juicy Pomerol, Château Nenin, seems a bargain to me at £6.99 and Châtean Cos d'Estournel at £12.49 is a classic St Estèphe, verging on the great, which can be enjoyed now hut will evolve throughout the Nineties. (It is only £11.50 at Laytons of Midland Road, London NW1, hut the minimum order is 12 assorted bottles.

Second wines

MAJESTIC Wine Warehouses has also taken a position on 1987s, although rather an odd one. It is offering several very cheap second wines, offcnts from the principal bottlings of the châteaux. In uniformly good vintages, such as 1982 – and, to a certain extent, 1985 – these can be very good but in patchy vintages, such as 1987, they are a considerahly less sure bet.

Nevertheless, if 1987 clarets are, in general, inexpensive, 1987 second wines are really very cheap indeed. Fans of Château Haut-Brion's distinctive, mineral-laden style will find something to enthuss abont in the second wine of this first-growth Graves', Châtean Bahans-Haut-Brion, which Majestic is offering at £7.99. More serious, and for the longer term, is Château Margaux's second wine, Pavillon Rouge du Châtean Margaux, at £10.99.

Moulins de Citran is a light, aromatic claret that would make a fine gift to more casual wine-drinkers. It is the second wine of the Haut Medoc *cru bourgeois* Château Citran, and sells at £4.99. It is labelled beautifully and packaged in carefully stencilled wooden cases – a fine but attractive conceit for something that is quite ready to drink.

Threshers and the associated Wine Rack shops, the most wine-friendly of the brewery-owned off-licence chains, have taken to second wines in a big way and have been husy trying to convince wine writers that they can stand np to the *grand vin* counterparts from which they have been rejected.

They convinced me that in a vintage as tannic as 1986, "serions" wines – such as the *gronds vins* of Châteaux Lagrange and Lynch-Bages – can be made so vehemently for the long term that their respective second wines, Les Fiefs de Lagrange 1986 and Château Haut-Bages-Averous 1986, seem a much more sensible huy for the moment.

The more wine-minded Threshers and Wine Rack stores should stock them at £9.79 and £9.99 respectively. The Haut-Bages-Averous would make delightfully supple, fruity drinking throughout this winter while the Fiefs de Lagrange would take you through the next four.

Best price for the Fiefs de Lagrange is at Wizard Wine Warehouses around London. Thanks to a parcel of stock Wizard has bought from the receiver, it can offer just a few cases of it – shared around branches such as Putney, Croydon and Streatham – at £7.99 a bottle. Some other wines are absurdly cheap because their labels are damp-stained, but Wizard claims the stock has heen lying otherwise undisturbed in a Wiltshire ammunition dump (which sounds much too far-fetched to be false) The highly-regarded Mailly Champagne costs as little as £4.99 a half, while Château Fabas Minervois 1988 is only £1.99 a bottle.

Framing a market

*Now, the Japanese are moving into London's art scene. **Nicholas Faith** looks at the latest offensive*

MITSUI GROUP has launched its offensive on the London art market. The attack, naturally, employs the latest Japanese technology and aims to hypass not so much the London art market as Japan's own dealers.

Cheekily, Mitsui's first assault is spearheaded by the most important exhibition of Victorian paintings ever assembled by a London dealer; yet, the exhibition is being shown in Mitsui's own gallery, an elegantly-refurbished town houss in Bruton Strest renamed simply Gallery. This is staffed hy Japanese and its regular exhibits generally are chosen with eyes on the growing market offered by Japanese living in Britaio who are enticed by cultural events as well as direct promotions.

The new show – *Burne-Jones, the Pre-Raphaelites and their Century* – is far from a parochial affair, however. It is the work of Peter Nahum, wbo virtually created the market in major Victorian paintings as head of the picture department at Sotheby's Belgravia during the 1970s. Over the past five years, he has assemhled a highly impressive collection of 175 works.

The full exhibition at Gallery ranges from 40 Burne-Jones drawings and works by Millais, Holman Hunt and Ford Madox Brown to *The Temple of Edfou* by David Roberts, a classically frigid – hut highly important and increasingly valuahle – painting which hung in the Louvre after the original English owners had bequeathed it to Louis Philippe, the last Bourbon king of France.

The moving force hehind Gallery is an untypical, entrepreneurial Mitsui executive, Yoshe Fukushigi. When equipping the new, Greek-style Tokyo Grain Exchange with full computer facilities, he realised that the building would be a mere computer centre within a few years; so he started dreaming of using it as some form of computerised centre for trading in fine art. But neither of the leading British auction houses proved amenable – Sotheby's because of its link with the Seihu department store group and Christie's because of its desire to remain independent.

The existing Tokyo art market suffers from the relatively narrow ranges offered by dealers and the enormous margins they take. "Tokyo is an enclosed art market," Fukushigi says. "The clients don't know what is on offer in London or Paris, they only know what the local dealers have in stock. We can show the full range of pictures available in Europe with the local prices" – which, he reckons, are as little as half those asked in Tokyo. The idea fits in with the new Japanese desire to increase imports (so long as the importer and "middle man" remain Japanese).

Fukushigi envisaged linking Gallery directly with galleries and dealers' show-rooms in Paris, Rome and Milan, as well as London, through dedicated communication links. These would carry the impressively clear colour images registered on a digital camera developed by Sony – images that would be transmitted direct to Tokyo accompanied by a live commentary about the works on offer.

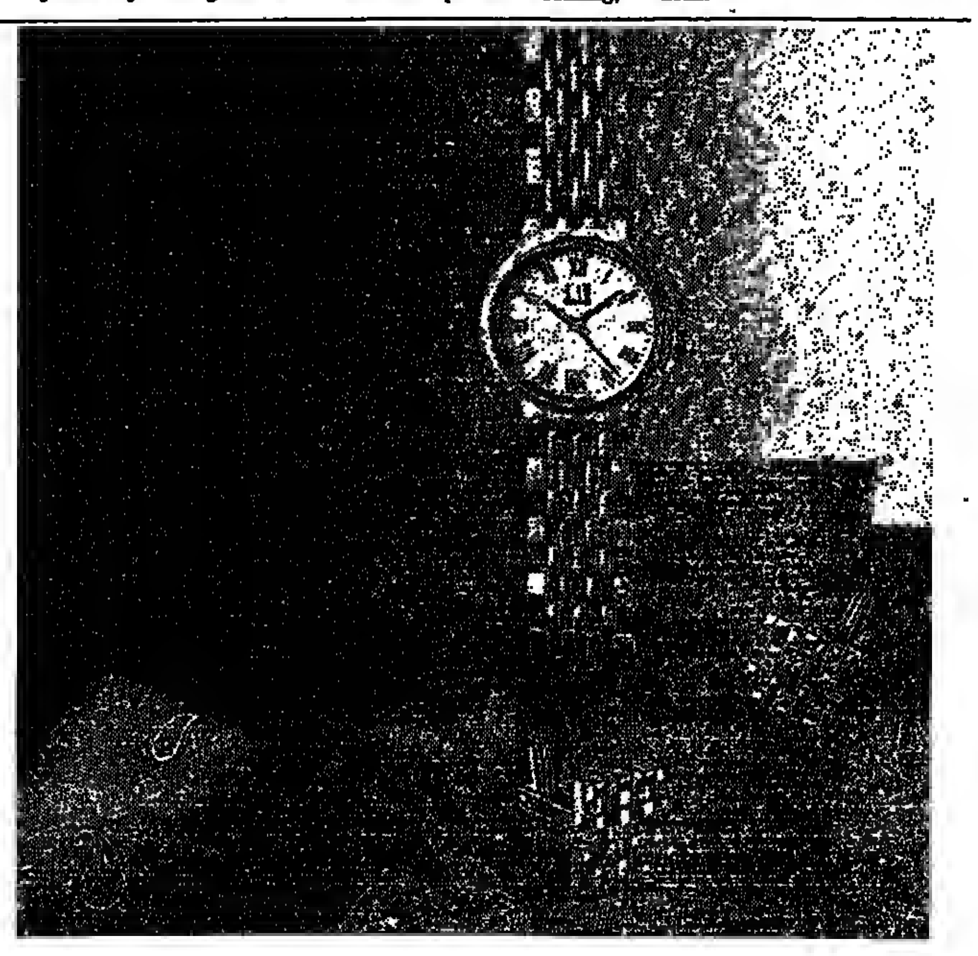
After a short delay (even Sony had problems with the electronics), Gallery is now equipped with the first of these cameras, although the dedicated link and high-definition optical equipment will be available only in the New Year.

Fukushigi – a gradnate of Tokyo University with a Harvard MBa and, clearly, a high-flyer – is undeterred hy the fact that "not many people in Mitsui agree with my ideas." His track record shows the group to be as flexihle, and thus untypical, as he claims. "I worked in the group's corporate planning office in New York. Then I was a commodity dealer, mostly in sugar, and I saw the computer era coming," he says. "I knew ahout the market, but didn't know about computers. Now I know about computers, although I don't know about the art market."

He starts with the hig major advantage that Mitsui is building up-market houses in Tokyo and is, naturally, anxious to provide buyers with all mod cons (which, in Japan today, include suitable items of Western art). "Japan is an affluent society, but they don't know what to spend it on," Fukushigi says. "There is a new class of wealthy people who made money from the soaring price of land and stocks and shares, so it's natural for them to huy art, regardless of their level of knowledge.

"Buying art – one of the sectors where the West is strong – is not an option; it's a destiny. I want them to buy in a clever way, not through dealers who double the prices. And, no, I don't know what category of art will appeal to the new class of huyers. But I do believe that the Japanese are getting increasingly independent."

This work by William Morris is one of 150 paintings, drawings, water-colours and bronzes on view at the Gallery exhibition



DIVERSIONS

Are you barking up the right tree?

***Lucia van der Post** and illustrator **James Ferguson** look at a popular Christmas symbol*

OF ALL the Christmas symbols the tree is one of the best-loved. It is the focal point of Christmas gatherings, in offices, livery hall or private home. To those who love the celebratory side of Christmas, who glory in the chance to dress the house in all its finery, who enjoy every part of the festive season, the tree offers a marvellous opportunity to indulge their decorative and creative fantasies.

If you feel that your inspiration is a little well-worn and that you are in need of visual stimulation, go along to the main entrance of the Victoria & Albert Museum in South Kensington, London, where from November 30 to December 7, from 10 am to 5.30 pm six days a week and from 2.30 pm to 5.30 on Sundays, 11 highly individual, expertly-dressed Christmas trees will be on view.

All the trees have been donated to the Save The Children Fund by the individual shops, designers and decorators involved. All the designers have clearly had a lot of fun. Each is decoratively as different as could be, with themes varying from the richly baroque "The Kingdom of the Pearl" (Garrards) to the relative simplicity of The Conran Shop's Indian tree.

Ten of the trees will be auctioned on December 7 at a grand dinner in the presence of the Save The Children Fund's president, the Princess Royal. The 11th tree will be raffled on the evening of the dinner and money raised will be given to the fund. Last year's festival of the trees raised some £50,000 for the fund.

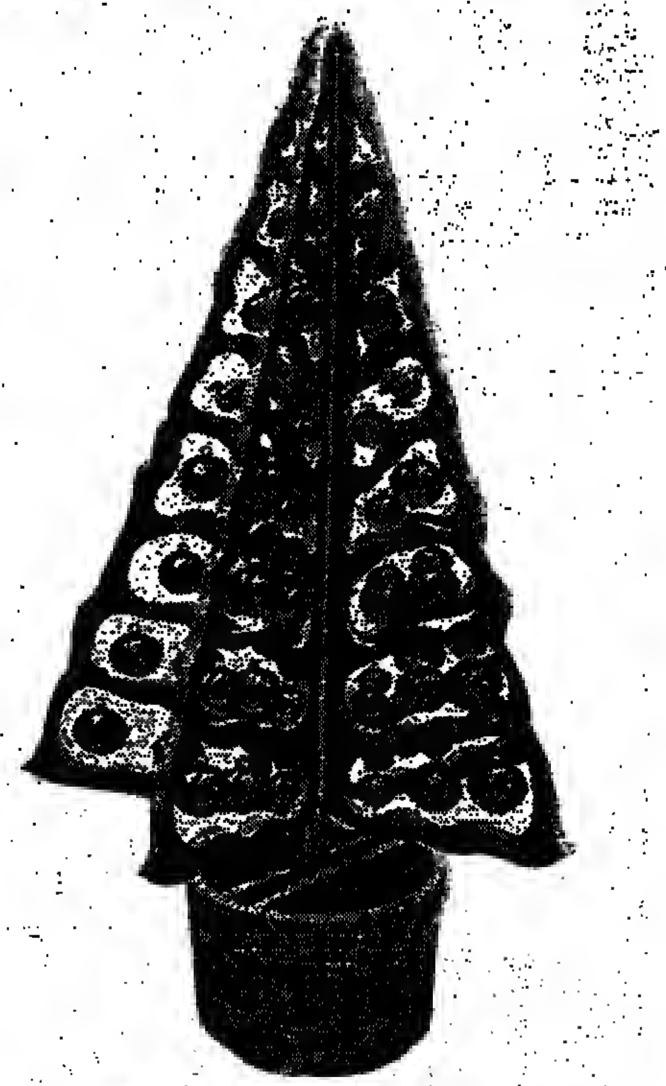
Although I am mainly urging you to go and see the trees for the visual inspiration they offer — many of the ingredients for dressing trees can be bought either from the shops or designers who have donated the tree or from big department stores — anybody who falls in love with a tree and wishes to buy that particular one, complete, can telephone Alison Waylen, of the Save the Children Fund, on 01-703-5400 and make an offer.

Here, for those who cannot manage to get to the V & A, is a preview of some of the trees.

■ The Conran Shop's tree of Scottish Broom was hand-made to order by one of its basket suppliers in southern Spain. Six feet high it has been decorated with traditional festival decorations from India. Made from silver and gold fabric with applied gold thread, mirrors and beads the decorations would go on looking good Christmas in and Christmas out. The presents — all of which will go to the happy winner of the tree — include table-linen, bed-linen, stationery, toys and ceramics. They are wrapped in orange recycled paper and tied with ikat yarn. Although the tree is a one-off, and is not for sale, the decorations can be bought for 99p and £1.25 each, and the recycled wrapping paper sells at £4.50 for five sheets.

■ From Tiffany's comes a tree with a theme of toys. It was designed by Celia Lindsell, Tiffany's display manager, who used a real four feet high tree and dressed it with brightly-coloured toys — everything from trains to teddy bears, cards, soldiers, toy animals and a complete jigsaw puzzle. At the top of the tree sits a sterling silver teddy bear rattle. All are tied on with different-coloured ribbons. The tree is supported by boxes and packages covered in the distinctive Tiffany turquoise paper. A children's china tea set, intermingled with the packages, completes the effect.

■ The Harvey Nichols tree, designed by Mary Portas, is inspired by the lavish, decorative style of the Baroque period, all red and gold and rich deep colours. An artificial Noel pine tree, about six feet high, it is bedecked from head to toe with angels, cherubs, baubles, tassles, gold-sequinned stars, red and gold beads and all topped with a gold-spangled fairy. Anybody unable to bid for the ready-dressed tree, and wanting to create something of the same effect, can buy most of the items from the fifth floor at Harvey Nichols. The tree is £85, the tree beads are £1.25 a string and the decorations theinselves vary in price but start at £2.99.



■ Victor A. Shanley, landscape director of Clifton Nurseries, wanted to produce a really simple, one-off tree. He decided against a natural tree because of the problems with needles and so he opted for a five-footer made of ¾ inch green -stained plywood, with the edges stained Chinese red. The five wings of the tree are pierced with irregular cutouts to give a delicate branch-like effect. In the pierced cutout branches there are simple red baubles — some 65 in all — and four red decorative birds. The whole tree sits in a simple green stained oak wood tub which will be filled with wrapped gardening gifts of every sort. Clifton Nurseries sells natural tubs (you could leave them simple, stain them green yourself or cover them with crinkly paper, recycled paper or aluminium foil) for £41.40, red baubles for 35p for the small size, 50p large and the birds are £2.20 each.

Addresses:
The Conran Shop, Michelin House, 81 Fulham Road, London, SW3 6RD.
Clifton Nurseries, 5a Clifton Villas, London, W9 2PH.
Harvey Nichols, 109 Knightsbridge, London, SW1.
Tiffany, 25 Old Bond Street, London W1X 3AA.
The Festival of Trees is sponsored by the London & Edinburgh Trust.

***Lucia van der Post** visits Japan's capital and offers advice to travellers, ideas for original gifts and where to buy them, and lots more*

A hymn to Tokyo (ancient and modern)

TOKYO IS indubitably foreign. Anyone who thinks the world is shrinking, and that everywhere is becoming like everywhere else, should head for Japan. Tokyo is like nowhere else in the world. The recognisable Western signs, the comfortable hotels, the easy comfort and the air of bustling modernity lull you into a false sense of familiarity but, the longer you stay and the deeper you look, the more its strangeness begins to emerge.

For the short-stay visitor, the immediate problem is language. In central Tokyo, most big stores, subways (which are models of cleanliness and punctuality: London Transport please visit) and stations have signs in English but getting around remains confusing. There is no system of streets and addresses as we know them. Ask the hotel reception desk to *write out all addresses* in Japanese so that you can give them to the taxi-driver and keep a copy in English; otherwise, you will find you don't know which inscrutable bit of paper is which.

Although I had been warned that Tokyo was busy, crowded and confusing, nobody had told me of the infinite kindness I would receive or of the old-world, almost Edwardian, standards of politeness and good manners. Prices may be high, but I don't think you would ever be cheated and certainly not mugged. Everyone I went to see sent cars, relieved me of my parcels, made sure I *arrived safely at the next* destination and asked what further help they could give me.

The corollary of this is that you, too, will have to produce your very best manners. A slight bow when you are introduced will not go amiss. Take masses of business cards and present them with that slight bow. *Do not just stow away the* card you are given without a very earnest perusal first.

It is customary to take a present for your host or hostess when you are invited to dinner. Less important than the contents (although anything very English, particularly anything with "Harrods" on it, *will go down a bundle*) is the wrapping, which should be as exquisite as you can muster.

You might have to take off your shoes with some frequency – especially in restaurants or old Japanese inns – so make sure you have stocks of impeccable socks.

Be warned that the jet lag is terrible. If you are wise, you won't make appointments for too early in tha morning – seasoned travellers tell me that 10 am is quite early enough. Mid-afternoon is a critical time. You will be tired and want to go to sleep but, if you do, you will never wake up – so try to build a swim or a massage into your afternoon programme.

Tokyo is very, very expensive, so if you are intending to shop you should plan carefully. There is almost nothing cheaper than the UK – except the clothes of Japanese designers such as Comme des Garcons, Yohji Yamamoto and Issy Miyake – but there is quite a lot that is very special.

Shopping is the cultural art form. Japan must be the world's most consumer-orientated society, and the sight of office girls spending phenomenal amounts of money in the stores is awesome. But you don't need to *spend* money to enjoy the shops. Just looking is fascinating.

The Ginza is a shopping district full of expensive bits and pieces. It also has old, traditional stores and you should visit at least one of them. Arrive in the morning for the opening ceremony, with exquisitely-dressed girls bowing. Enjoy the way you are greeted; go to the kimono and craft *departments to get a flavour of* old Japan; and do not on any account miss a tour of the food departments. See, too, how artfully every parcel is wrapped. Among my favourite stores for this sort of atmosphere are Takashimaya (one of the oldest of all), Matsuya and Mitsukoshi.

For a newer, younger atmosphere, head for Shibuya. Apart from anything else, there are the Seibu stores – all grouped and leading in a higgledy-piggledy way from one to another. Particularly interesting is Seibu Loft, which is a good example of the Japanese pre-occupation with design to suit their life-style, and its success is amazing.

It seems to be crowded from morning until night with very young people who love its informal, warehouse atmosphere and the innovative merchandise – travelling gadgets, household items, stationery and gifts. Look out, too, for vastly ingenious small items such as mini-washing machines for tiny, box-like rooms and other scaled-down versions of every-day products.

To see the really young and trendy, pay a visit to La Foret at I-11-6 Jingumae, Shibuya, where there is plenty of fashion priced relatively moderately. For a view of an alternative life-style, do not miss the Sunday mass displays of Tokyo punks at Yoyogi park in Harajuku. While you are there, wander down Harajuku's Takeshita-dori which, on a Sunday, is crowded with outrageons youngsters pouring into the tiny boutiques for the latest whacky outfit. But the smart, conservative and demurely-dressed young head for the Hanae Mori building at 3-6-1 Kita-Ayoama, Minato-ku, where Mummy or Daddy fund the purchases.

Those who love Japanese designers should head for their shops. Not only is it a cultural experience just to see them in their own environment bnt everything seemed about a third cheaper than in Britain. They are all gathered very conveniently in Shibuya Parco.

One of my best finds was a very small shop called Mujirushi Ryohin at 5-50-6 Jingumae, Shibuya, where they specialise in unbranded – and, therefore, relatively inexpensive – plain but very chic basics. I bought some chocolate-brown cropped pants for Y4,600 (about £20) and there were plain white cotton shirts for Y4,600. On the whole quality is excellent, particularly textiles, but it isn't cheap. However, many simple things like toilet bags and leather goods are done wonderfully.

Creative people are valued very highly, and this is evident in the profusion of visual delights. On the other hand, Tokyo people must be among the world's most conservative shoppers, going for the big brand names like such as Burberry, Dior, Vuitton and the like.

Bathing is crucial in Japanese culture and all the products connected with that are snperh. Look especially in Tokyo Hands at 12-18 Udagawacho, Shibuya-ku – it is a good store for handicrafts of all sorts.

Writing equipment and materials are nearly always beautiful and, if you are searching for some presents that aren't too expensive, they are a good bet. Children's clothes are adorable – almost every single fashion designer you can think of does a range for children – but, again, not cheap. (1101, a store in Shibuya, even has charge cards for kids).

Large men should take extra care not to lose their luggage – clothes for them are very hard to find although, in the big department stores, it is getting better. Despite its embarrassing name, Big Shoes at Akasaka Oguri Bldg, 23-I, Akasaka 2-Chome, Minato-ku, is an address worth knowing.

Electronics. Akiharaba is the district for cut-price electronics. The Japanese tend to launch new products on the home market first, so yon would be able to huy goods there that are unavailable anywhere else. Once the home market is sated, manufacturers sell abroad; from that point on, it is much cheaper to buy in Hong Kong or Singapore.

Hair-cuts. If you want a hair-cut, the name recommended most to me was Fumio Kawashima at Peek A Boo – Beruea Garden Bldg. B1, 4-2-11 Jingumae, Shibuya-ku, almost next door to the Hanae Mori Building. Apparently, he has several clients who fly in regularly from Hong Kong.

Antiques. Although the best place for those in search of authentic Japanese antiques is Kyoto, there are some lovely shops in Tokyo. The hest department stores, in particular Takashimaya, have small sections given over to genuine antiques. Otherwise, the main antique area is Kotto-dori in Aoyama. Morita Antiques at 12-2 has marvellous bits of folk art and textiles (also old kimonos), ceramics and toys.

There are 10 antique shops in the Jintsu Building and one, in particular, sells quite exquisite blue and white pottery of all sorts. Old original wood-block prints from the late Edo period by all the famous names (Utamaro, Harunohn, Hiroshige 1, Hokusai) can be found at the Matsushita Gallery, 3-12 Minami Aoyama 6-Chome. Just down the road is some wonderful Takatori pottery.

A shop much-heloved of tourists, but well worth a visit nonetheless, is the Oriental Bazaar near the Hanae Mori building. Here, there are quite a few genuine antiques and some lovely pottery as well as modern versions of traditional products like *yukata* (the summer kimono), baskets, pottery, sandals, kites and the like.

Antique kimonos are much sought-after but, to my mind, the elaborate silk ones do not fit well into Western life. The deep-blue cotton versions make wonderful housecoats or dressing gowns, and I found a shop with a vast selection at very reasonable prices. At the back of the Hanae Mori building at Gallery Kawano, Okamoto Building, 3-9-5 Kitaoyama, Minato-ku, there is lots of choice at prices ranging from Y1,500-2,000.

Nightlifa. On tha whole, Tokyo citizens eat early. In most districts, ordinary restaurants start shuffling the chairs and looking anxious between 9.30 and 10 pm so, if you feel the night is yet young and you have energy to spare, move on to Roppongi, Tokyo's most cosmopolitan quarter where there are hundreds of *small* bars and clubs.

Karaoke bars are a huge if mysterious (to Western minds) success. You really need a local's advice on which to visit hnt they are now an established phenomenon where young girls, businessmen and anybody else in search of a jolly evening goes to drink and sing local pop and folk songs to the sound of a record while a video illuminates the words.

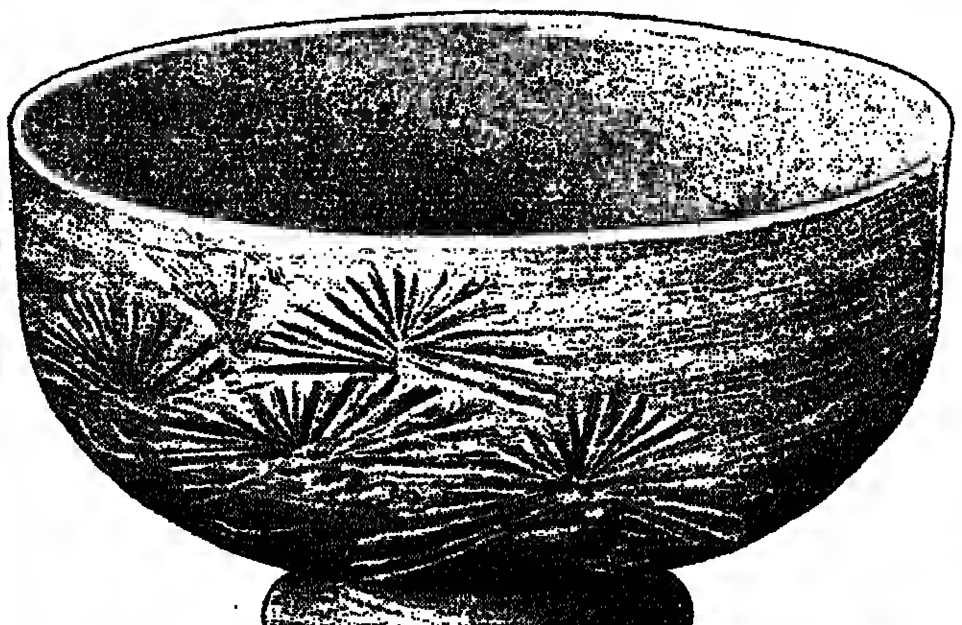
It is indeed an astonishing sight to watch the *sarariman* with his sober blue suit, white tie and hriefcase grah the microphone and become metamorphosed into a deeply amorous love-lorn swain. If you do not have a willing Japanese accomplice, yon can wander around listening for the sounds of the out-of-tune voices.

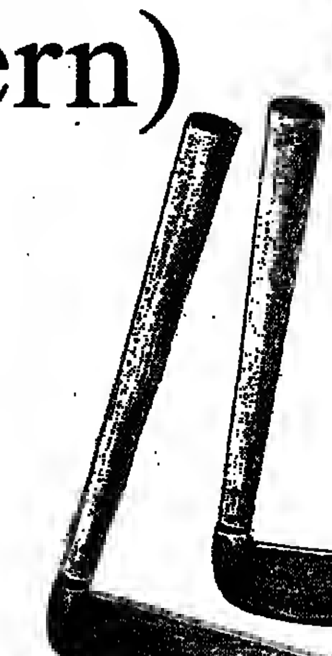
How to get there: I went Virgin Atlantic and its Upper Class service, which is a business class price (£2,478, London-Tokyo return) but has first class seats. On the London-*Tokyo flight, you get the famed* chauffeur-driven service from your home to the airport only at the British end. In Japan, where the drive into Tokyo could take up to two hours and prices range from between \$40 and \$80, you get vouchers for the coach ride.

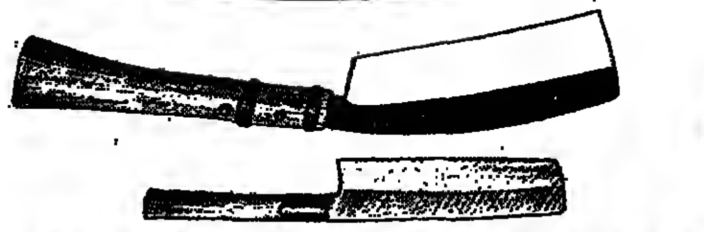
Hotels: The Imperial, at 1-1-1 Uchisaiwaicho, Chiyoda-ku, is comfortable, convenient, westernised and, above all, in just the right place for those who like to stroll about the Ginza, Tokyo's smartest shopping district.

The Okura is many people's favourite – in particular health freaks love its gym and its indoor and outdoor pools – hut it is in a primarily residential part of town, 2-10-4 Toranomon, Minato-ku.

New and lushest of all is the Hotel Seiyo Ginza at I Ginza, Chno-ku. It reeks of comfort and luxury, and has a highly-personalised attitude to service.

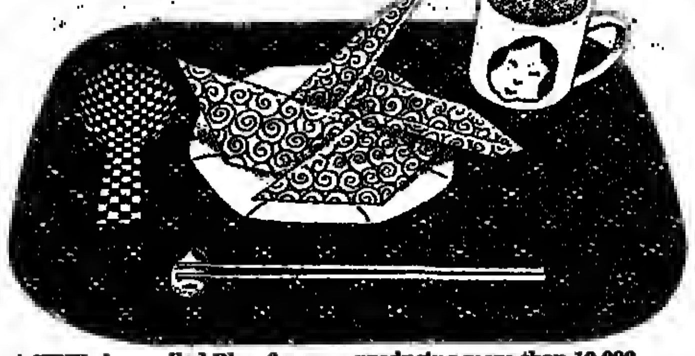






Illustrations by JAMES FERGUSON

IN JAPAN packaging is not just a commercial aid to selling or a practical way of delivering goods – it is an art-form, an integral part of the culture. Whichever department store you visit make sure not to miss the food department, where you will be astounded at the beauty, refinement and subtlety of the wrappings. Even the most modernist of graphic and packaging designers somehow brings to the task a finely-honed sense of Japanese traditions so that even simple consumer items, such as soap and sweets, biscuits and dried fruits, come wrapped so skilfully as to ravish the eye. Traditional packaging includes the beautifully-knotted square cloth, the furoshiki, sketched above, the kyogi, a thin wooden box and the famous bamboo sheaths and leaves for wrapping eggs and chimaki, rice dumplings.



A TINY shop called Blue & White, at 2-9-2 Azabu Bujan, Minato-Ku sells a marvellous range of traditional, crisp, blue and white cotton fabric used for the summer kimono, the Yukata. Yukata dying began in old Edo (the ancient name for Tokyo) and today there are still some 30 dyers in and around the district producing more than 10,000 patterns a year. The fabric is an artless-looking blend of simplicity and sophistication. It can be made up into Yukata for grown-ups and children, table mats and napkins (as in the sketch above) wallets and credit-card holders, traditional geta sandals, blue and white pumps.

Packed with tradition

THE REAL fascination of Japan lies in its beguiling combination of the np-to-date and the very, very old. At times it seems the most fashion and trend-conscious city in the world and then one *dips behind the surface and* sees that the old, traditional ways are still a living force that even in the children of the computer-generation lingers an ancient spirit.

Those who have an affection for everyday articles made with care and artistry will find *that Japan is a treasure-trove* – no other culture that I know of places such deep importance on the visual artistry of every aspect of their lives.

All over Tokyo there are places where you can see and buy authentic Japanese crafts. Almost every big store has a department given over to them and for sonvenirs I can hardly think of anything more attractive than traditional Mingei. Mingei, literally translated, is "people's art," – the practical things made for use in everyday life. They are the bowls used for eating, the cottons used for Yukata, the silks for kimono, screens for dividing rooms, kettles, lightshades and paper.

Visit the Nihon Mingeikan Musenm at 4-3-33 Komaba, Meguro-ku (the home of Yanagi Soetsu, who coined the word "Mingei" and whose eloquent writings on the subject helped them gain the love and respect they deserve). The best place to see and buy a large selection is at the Japan Traditional Craft Centre, 2nd Floor, Plaza 246, 3-1-1 Minami- Aoyama, Minato-ku.

Here you can see the *ceramics the Japanese* love so much, the traditional indigo cloth, agate beads and jewellery, lacquerware and basketwork, fine brushes for calligraphy, old iron kettles, old wooden chests and the dolls that grown-up Japanese like. Any of these can be bought and shipped to Europe but, although these products were once thought of as just simple utilitarian products, these days they are beginning to be rediscovered hy the Japanese and none of them is cheap – they are, however, very lovely.

Everything is beautifully labelled with the prefecture of origin and some historical details about the beginnings of the craft.

Sketched left are rather lethal-looking cooking knives, a ceramic eating bowl, a cast-iron kettle and a fine wooden doll.

Boom product

TO A Westerner, the Japanese way of beauty is mysterious, full *of paradox and*, above all, utterly different. No company is more typical, mora poignantly poised with one foot in its ancient oriental past, and the other in the high-tech world of the future, than Shiseido, Japan's top beauty company.

Its links with the past, after all, go back to the time when Japan was still almost inaccessible to westerners.

Now it has some of the most modern, and np-to-date research laboratories in the world. Its graphics, packaging and advertising (all overseen by the French image creator, Serge Lutens) are outstandingly successful in conveying this duality to its customers all over the world. Feel the soft contours of the powder compact case and you could be caressing a Japanese pebble.

Hold the lacquer-like lipstick case and you can sense the echoes of Japanese bamboo. Look at the startlingly dramatic black and red image on the Shiseido literature and you will not forget the company's ethnic origins.

Although some Shiseido skincare goods can be bought in this country, when in Japan I would be inclined to experiment with the more mysterious products that don't find their way west, such as exotic bathing and massage products, revitalising and energising products for the bath and proper Kabuki make-up.

It's only in Tokyo that you will be able to buy some of their very oldest, most traditional products, such as the Eudermine skin lotion first developed in 1897. There are also some amazing lines in the Gear collection for men – in particular a men's lotion that makes a slight exploding noise as you use it.

For a real treat – an expensive one, any woman lucky enough to have time and money on her hands in Tokyo should head for a beauty session at the Shiseido Beauty Salon at Shiseido, The Ginza Bldg., 7-8 F, 8-10 7 Chōme, Ginza, Chuo-ku.

You should book in advance (tel: 03-571-4511). A massage there is the perfect way to deal with jet-lag. But don't go expecting the usual rather soft-centred British massage.

Here they offer massage with Shiatsu, an ancient Japanese technique which involves deep massage of acupuncture points and is said to release toxins and tensions in the body.

I found it mildly painful at times but felt quite wonderful afterwards, although the lack of linguistic skills on my part left me and my masseuse helpless with laughter much of the time at our mutual misunderstandings.

Have a manicure if you possibly can – an exceptional experience involving much massaging, oiling, caressing and tweeking of every joint in the hands and lower arms as well as careful attention to the nails.

SPORT

Hand of God and bracelet of blood

*World Cup Soccer: **Philip Evans** discusses the final qualifiers*

IT MIGHT be a question from Trivial Pursuit. "What do Diego Maradona of Argentina and Roberto Rojas of Chile have in common?" The answer is that both have admitted to being cheats in soccer's World Cup. The victorious captain displayed no remorse when he defined the first goal of Argentina's match with England during the World Cup finals of 1986. "A little bit of the Hand of God," Maradona said with a cheeky smile, "a little of the head of Maradona." For outrageous implausibility, though, the Hand of God scarcely compares with an incident from tha final match of the South American Group Three 1990 qualifier between Brazil and Chile.

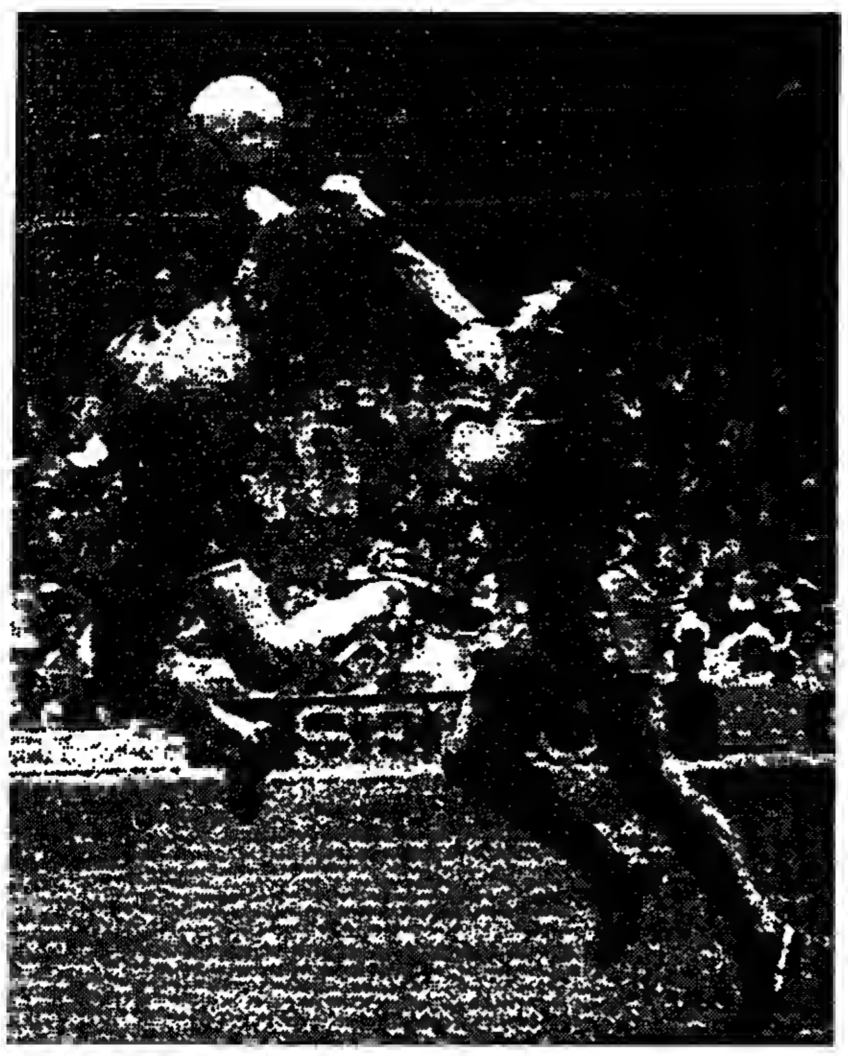
There is never any love lost between these two sides. In their first meeting in Santiago on August 13, two players were ordered from the field in the first 12 minutes; before the game had finished, seven more had been hooked. Trouble was, therefore, expected in the second leg on September 3 and it came as little surprise when the match at the Maracana Stadium had to be halted in the 69th minute.

What was unexpected was the nature of the trouble. Chile were already a goal down when, as TV pictures later revealed, a flare was thrown from the crowd. It appeared to strike the Chilean goalkeeper, Roberto Rojas, who at once collapsed, clasping his head. Chile's players gathered round him. When he proved unable to continue, they marched off the pitch in protest, carrying between them the prostrate form of the 'keeper – now apparently bleeding copiously from the head. On this score, FIFA'S rules are inflexible. By leaving without the referee's permission, the Chileans had effectively forfeited the match.

A week later, the game was awarded 2-0 to Brazil, who thereby qualified for next year's World Cup finals in Italy. There was widespread sympathy for Chile, whose team seemed to have been put out by an appalling act of hooliganism. The subsequent inquiry into the incident discovered that although the flare had been thrown by a Brazilian called Rosemary De Mello, Rojas was not quite the victim he had appeared to be. When the film was shown in slow motion, it was seen that the flare had not struck him at all. The "blood" on his head, it turned out, was red dye concealed inside a bracelet on his right wrist. For this performance, Rojas has been banned from international competition for life, the Chilean officials have been replaced, and FIFA has ordered an inquiry.

Two other South American groups also saw close finishes, even if they were less given to displays of thespianism. In the deciding match of Group One, Uruguay, relying on their Rome-based striker, Ruben Sosa, defeated Bolivia 2-0. But Group Two also saw drama, none more so than when Colombia played a bad-tempered match in Paraguay and were defeated 2-1.

Paraguay took the lead in the 58th minute, a goal equalised in the 89th by Arnoldo Iguaran. But after five minutes of injury time, the referee awarded Paraguay a penalty – from which their goalkeeper scored! Not unexpectedly, the Colombians became most distressed and the police had to rescue the Chilean referee, who is unlikely ever to visit Colombia again.



Maradona's handball against England in the 1986 World Cup – which he described afterwards as "a little bit of the Hand of God"

Justice appeared to be done, however, when the group was decided by its final match. Needing only to draw away with Ecuador, who had already been eliminated, Paraguay travelled to Guayaquil and were beaten 3-1. In a play-off against Israel – which, by a quirk of political geography, had been placed in the Oceania group – Colombia gained their place in next year's finals by virtue of scoring the only goal (through substitute Albeiro Uzurriaga) of their two meetings at home in Barranquilla.

The fourth South American team competing in Italy will be Argentina, the champions. As the world knows, almost anything is possible when you can call on someone like Maradona who, as England manager Bobby Robson once remarked, "can win a game on his own in five minutes." (Five minutes after the goal scored by the Hand of God, Maradona weaved his way majestically through England's defence to put Argentina 2-0 up). Several members of the 1986 team are still contenders for a place in the 1990 side, including Maradona, who has been playing for Napoli in the Italian league for six years.

In the absence of Mexico – banned by FIFA from playing international football for two years because of fielding over-age players in an under-20 tournament – Costa Rica took a commanding position at the top of the Central and North American qualifying group. They will be joined in Italy by the well-organised but much-relieved US squad. Last weekend, the Americans became the last team to qualify when they travelled to Port of Spain and won 1-0 against Trinidad and Tobago, who had needed only a draw to go through. This was welcome, because the US is due to host the 1994 finals.

In previous World Cups, major surprises have been sprung by teams from Asia and Africa. In 1966, North Korea travelled to Middlesbrough where they put out Italy. (The name of Pak Doo Ik, whose goal proved crucial, can still provoke Italian supporters into making the sign of the evil eye). This year, the six leading contenders from Asia adopted the unusual course of playing each other in neutral Singapore on a round-robin basis. The 15 matches took place between October 12 and 28, with the two victorious teams being an unstoppable South Korea, who gained eight points from five games, and the United Arab Emirates, the smallest and newest footballing state to qualify. Africa's representatives will be Cameroon and Egypt.

In Europe, the qualifying stages grew increasingly dramatic as the autumn progressed. Yugoslavia became the first country to go through by beating Scotland 3-1 in Zagreb on September 6. On October 11, Spain booked their place by drawing 2-2 with Hungary in Budapest; and England also made it with a 0-0 result in Katowice against a confident Poland, thanks mainly to the evergreen Peter Shilton in goal.

Two weeks later, however, Sweden proved their quality by defeating the Poles 2-0 in Chorzow, the second a gem of a goal by Johnny Ekstroem who slalomed his way past Polish defenders before hitting home a fine drive. On the same day, Belgium went through by drawing 1-1 at home against Luxembourg, while their 3-0 victory over Switzerland helped Czechoslovakia enter the finals.

With several qualifying places being decided in mid-November, FIFA made collusion impossible by demanding that kick-off times in all eight of the crucial games be simultaneous. Having put supporters on the rack for two months with losses against Yugoslavia and France, Scotland gained the all-important point they needed with a 1-1 draw at home to Norway. They thus joined magical Holland, the always formidable West Germany, the remarkable Republic of Ireland, Russia, Austria and Romania.

While many of these 24 will spend the coming fortnight anguishing about which teams they hope not to be drawn against on December 9, the officials of FIFA will hope fervently that the games will include no acts of fraud to compare with the Hand of God or the bracelet of blood.

Another tennis era reaches match point

John Barrett on the end of 20 years of Grand Prix competition

ANOTHER TENNIS era will end next week when the $750,000 Nabisco Masters, an eight-man extravaganza at Madison Square Garden, New York, brings down the curtain on 20 years of Grand Prix competition. Since 1970, there have been six sponsors of the season-long, points-linked men's circuit: Pepsi-Cola (1970-71), Commercial Union (1972-76), Colgate Palmolive (1977-79), Volvo (1980-84) and Nabisco (1985-89).

On January 1 next year, the ATP Tour replaces the Grand Prix as the official men's circuit. It remains to be seen whether the players, having broken away from the Men's Tennis Council and turned their backs on the International Tennis Federation, can make a success of it.

At least we shall begin, as all the best stories should, at the very beginning, which is always a suitable place to start. The first tournament will take place in Adelaide, Australia. I am a little surprised that the ATP Tour board, conscious of the need to exploit every promotional trick, has not asked "Bobo" Zivojinovic to organise the last event in Zagreb with *Sound of Music*-style vocal accompaniment from Julie Andrews.

The theatrical references are not altogether inappropriate, for international tennis these days is concerned as much with entertainment as it is with athletic endeavour. It has to be. Tennis, along with other sports and leisure pursuits, is competing for the same advertising dollars and the same prime-time TV slots.

But the sport has paid a price. By making superstars of the top performers, we have led the public to believe that an event without them is not worth watching. Thus, it is harder than ever to stage those middle range tournaments that form the bulk of the circuit.

There is another, insidious danger. Increasingly, television, because of the revenue it creates, has come to dictate the scheduling of matches, occasionally with disastrous results for the players.

At the US Open, for instance, there is no day's rest for either the men or the women between the semi-finals and final because CBS fits the tennis around the end of the baseball season. A year or so ago, John McEnroe was exhausted after one set of his Sunday final against Ivan Lendl because his semi-final against Jimmy Connors had not finished until late the previous Saturday night.

This year at Flushing Meadow, the two eventual champions, Boris Becker and Steffi Graf, were both victims of this crazy scheduling. Each had a long, gruelling semi-final and were fortunate to survive the following day. So outspoken were they about the matter that, when the new TV contract is negotiated in 1991, I believe the USTA will at last feel obliged to stand up to the networks – even if this means a slight reduction in income, which the association will hardly miss.

There was no reduction in Graf's income last week at Madison Square Garden. Despite a badly twisted ankle, this amazing athlete duly won the Virginia Slims championship and retained the title of world champion, so ending another marvellous year in which she has been beaten only twice and won almost $2m.

Next week, Becker is the popular favourite to retain a title that he won for the first time last year. That day, he survived against world champion Lendl in an absorbing five-set final that ended with a dead net cord on the last point of a thrilling all-court rally.

The net played a crucial role in helping Boris the last time he was in New York, where eventually he beat Lendl again to capture his first US Open. Becker was lucky to be in the final at all. In the second round the free-spirited Californian, Derrick Rostagno, playing the match of his life, reached match point.

The American came in on a deep ball to Becker's forehand and was poised perfectly to hit a winning volley. But Becker's desperate lunge projected a dipping passing shot that leapt off the top of the net over Rostagno's outstretched racket. Fate had ordained that he should survive.

For those who believe in these portents, the success of Graf last week virtually ensures a Becker victory next. After their double at Wimbledon and the US Open, the argument goes, the year must surely belong entirely to Germany. After all, these thing run in threes, I am told.

But nothing is certain in a round-robin competition at the end of a year when many of the performers are jaded. Lendl, ranked No. 1 in the world, heads the Rod Laver Group and has to beat three Americans: John McEnroe (4), Michael Chang (5) and Aaron Krickstein (8). Becker, the world No. 2, is top of the Ilie Nastase Group in which his old rival Stefan Edberg (3) of Sweden, plus two more Americans, Andre Agassi (6) and Brad Gilbert (7), will be attempting to dethrone him.

If Lendl and Becker do meet in eight days' time, it would be the perfect end to the year and would settle, in many people's eyes, which of them should be declared world champion by the selection panel of former champions. A recent victory in Stockholm has given Lendl, the Australian champion, a 10th tournament success in 1989 and taken his career total to 83 (still some way behind Connors' 109) and his year's earnings to $1.43m.

Yes, it has been a good year for Ivan. He has married Samantha Frankl and he is already certain of first place on the Nabisco bonus pool with its pay-out of $800,000. Accordingly, the wolves will be even less keen to tackle the six Alsatians that guard the Lendl mansion in Greenwich, Connecticut, than they might have been.

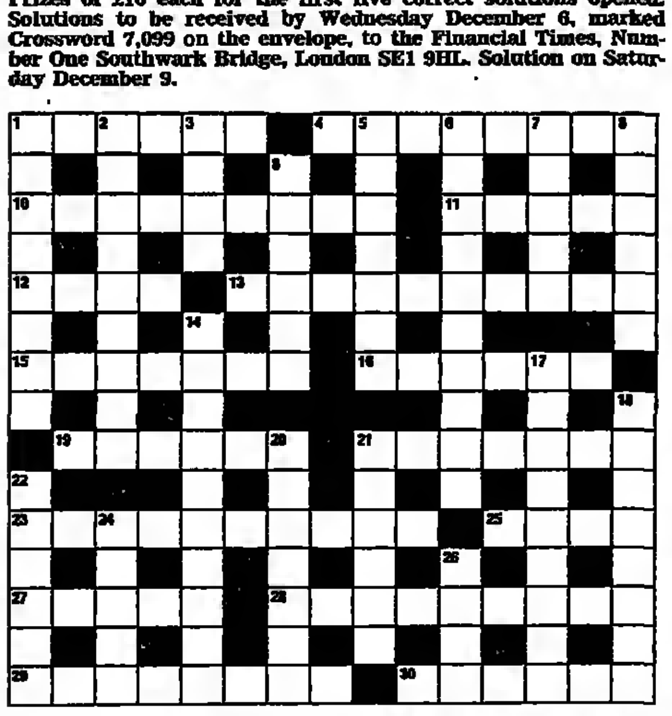
Apart from winning the two biggest championships of the year, Wimbledon and the US Open, Becker has also claimed the titles in Milan, Philadelphia and Paris and led Germany once more to the final of the Davis Cup against the Swedes.

Whatever the outcome, everyone is already preparing to usher in the new era with next year's ATP Tour. For the sake of the game's world-wide credibility, it must succeed.

CROSSWORD

No. 7,099 Set by GRIFFIN

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday December 6, marked Crossword 7,099 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday December 9.



ACROSS

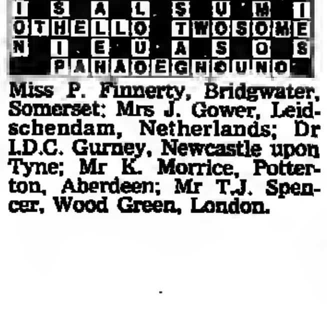
1 Club's cup final total (6)
4 Dies before she is pulled through (8)
10 Blue coal is a rock to us (9)
11 Gather skinhead's first to make row (5)
12 Turkish governor against entering group (4)
13 Ram tied with rope leads marches (10)
15 Ought to be useful round black spot (7)
16 I'm sending back sea-eagle without fur (6)
19 Thanks retiring disc jockey (American) for including tune (6)
21 Put away amount in ice-cream container (7)
23 Jack, doing Ann's round, is giving up (10)
25 Admitting I knock back a couple! (4)
27 Welcome the French before getting permission (5)
28 Last of the carp or dog fish (9)
29 Groom has time after horse training (8)
30 Deserts Egyptian leader fighting in street (6)

DOWN

1 Go by manual record of financial transactions (8)
2 On the box? (9)
3 Engrave bottom of dish and the others on top (4)
5 Most distinctive element of German city church (7)
6 Episode of "Silent Man" broadcast last night (10)
7 An alluring woman has time to iron first! (5)
8 Climbing mountains mum gets publicity (6)
9 Sullen lady doctor goes first (6)
14 Man swallowed sediment without reason (10)
17 Shot Algerian union leader is in pain (9)
18 Favour having flex wrapped round faulty fire (8)
20 Guy gets attached to it (4,3)
21 Bright yellow lavatory by a railway (8)
22 Faint and sick, propped up in a cushion(6)
24 Humble sailor, sea-sick (5)
26 Simmered in some water (4)

Solution to Puzzle No.7,098

Solution and winners of Puzzle No.7,087



Miss P. Finnerty, Bridgwater, Somerset; Mrs J. Gower, Leidschendam, Netherlands; Dr I.D.C. Gurney, Newcastle upon Tyne; Mr K. Morrice, Potterton, Aberdeen; Mr T.J. Spencer, Wood Green, London.

TELEVISION & RADIO

SATURDAY

†Indicates programme in black and white

BBC1

BBC2

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Children's ITV: Motormouth 2. 11:30 The ITV Chart Show. 12:30 pm ALF. 1:30 ITN News.

CHANNEL 4

S4C WALES

IBA Regions as London except at the following times:

ANGLIA

BORDER

CENTRAL

CHANNEL

GRAMPIAN

GRANADA

12:30 pm Saturday Night at the Movies. 2:10 The Spectacular World of Guinness Records. 2:40 Rugby League - Widnes v Castleford.

HTV

SCOTTISH

TSW

TVS

TYNE TEES

12:30 pm Saturday Night at the Movies. 2:10 "The War of the Worlds". 3:45 Cartoon. 3:50 ALF. 4:15 Bullseye. 5:45 Northern Life.

ULSTER

YORKSHIRE

RADIO

RADIO 2

RADIO 3

1:05 London Fortepiano Trio. Storace (Piano Trio in D), Haydn (Piano Trio in E minor, H XV 12). 1:45 From The Festivals 1989. Elgar's cantata "Caractacus" performed at the Three Choirs Festival by the Royal Liverpool Philharmonic, with soloists

RADIO 4

SUNDAY

†Indicates programme in black and white

BBC1

CHANNEL 4

BBC2

S4C WALES

LONDON

ANGLIA

BORDER

CENTRAL

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

RADIO (S)

Stereo on FM

RADIO 2

RADIO 3

RADIO 4